



Public Document Pack

Cambridge City Council

CIVIC AFFAIRS

To: Committee Members: Councillors McPherson (Chair), Benstead (Vice-Chair), Cantrill, Pitt, Hart and Robertson

Alternates: Councillors Bick and Moghadas

Despatched: Tuesday, 17 June 2014

Date: Wednesday, 25 June 2014

Time: 6.00 pm

Venue: Committee Room 1 & 2 - Guildhall

Contact: Glenn Burgess

Direct Dial: 01223 457013

AGENDA

1 APOLOGIES FOR ABSENCE

2 MINUTES OF PREVIOUS MEETING

To approve the minutes of the meetings held on 2 June and 12 June 2014.

To follow

3 DECLARATIONS OF INTEREST

Members are asked to declare at this stage any interests that they may have in any of the following items on the agenda. If any member is unsure whether or not they should declare an interest on a particular matter, they are requested to seek advice from the Head of Legal Services before the meeting.

4 PUBLIC QUESTIONS

- 5 **ANNUAL REVIEW OF PREVENTION OF FRAUD & CORRUPTION POLICY** *(Pages 7 - 22)*
- 6 **EFFECTIVENESS OF INTERNAL AUDIT: ANNUAL REVIEW 2013/14** *(Pages 23 - 32)*
- 7 **ANNUAL AUDIT OPINION 2013/14** *(Pages 33 - 52)*
- 8 **ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2013-14** *(Pages 53 - 86)*
- 9 **STATEMENT OF ACCOUNTS 2013/14** *(Pages 87 - 238)*
- 10 **LOCAL GOVERNMENT PENSION SCHEME - EMPLOYERS DISCRETIONS** *(Pages 239 - 266)*
- 11 **ELECTIONS MAY 2014 (REVIEW) AND UPDATE ON INDIVIDUAL ELECTORAL REGISTRATION** *(Pages 267 - 270)*
- 12 **EFFICIENT DECISION-MAKING AND SCHEME OF DELEGATION TO OFFICERS** *(Pages 271 - 276)*
- 13 **TRANSFER OF PLANNING ITEMS FROM AREA TO CENTRAL PLANNING COMMITTEE** *(Pages 277 - 280)*

Information for the Public

Location The meeting is in the Guildhall on the Market Square (CB2 3QJ).

Between 9 a.m. and 5 p.m. the building is accessible via Peas Hill, Guildhall Street and the Market Square entrances.

After 5 p.m. access is via the Peas Hill entrance.

All the meeting rooms (Committee Room 1, Committee 2 and the Council Chamber) are on the first floor, and are accessible via lifts or stairs.

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- For questions and/or statements regarding items on the published agenda, the deadline is the start of the meeting.
- For questions and/or statements regarding items NOT on the published agenda, the deadline is 10 a.m. the day before the meeting.

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CAMBRIDGE CITY COUNCIL

REPORT OF: DIRECTOR OF BUSINESS TRANSFORMATION

TO: CIVIC AFFAIRS COMMITTEE

25/06/14

WARDS: All

ANNUAL REPORT ON PREVENTION OF FRAUD & CORRUPTION POLICY

1 Introduction

- 1.1 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in 1998 and in line with good practice, the Policy is reviewed and reported on annually. In previous years this report was brought to the Council's Standards Committee, but following the decommissioning of the Standards Committee in July 2012, this report is now brought to Civic Affairs.
- 1.2 One of the recommendations by the Ministry of Justice to support the implementation of the Bribery Act is that organisations need to monitor and review the effectiveness of their anti-bribery policy and procedures. This is achieved through the annual review of the Prevention of Fraud and Corruption Policy by Civic Affairs Committee
- 1.3 The PFC Policy sets out the culture for the organisation in terms of not tolerating any act of fraud or corruption and a commitment that all concerns raised will be properly investigated. The Policy also sets out the reporting and investigation arrangements for different types of allegation.
- 1.4 The PFC Policy was updated last year, and an addendum added to the Policy, to cover the implications of the Bribery Act 2010. The Officer Code of Conduct was also updated last year to reflect the Bribery Act and to provide further guidance on gifts and hospitality. A copy of the PFC Policy is attached at Appendix 1 to this report, but no further amendments have been necessary this year.
- 1.5 The purpose of this report is to provide Members of Civic Affairs with:
 - a) A summary of fraud/whistle-blowing activity for the period 1 April 2013 to 31 March 2014; and
 - b) An overview of the outcomes from the 2012-13 National Fraud Initiative (NFI).

2 Recommendations

- 2.1 Members of Civic Affairs Committee are asked to note the details of fraud/whistle-blowing activity provided for the period 1 April 2013 – 31 March 2014 in section 3 of this report and the outcomes from the 2012-13 NFI in Section 5.

3 Fraud Investigation

- 3.1 Dependant on their nature, fraud investigations are currently carried out by either the Fraud Prevention Team (FPT); who are located within the Customer and Community Directorate; or by Internal Audit.

Fraud Prevention Team

- 3.2 The FPT prevents, detects and pursues those who commit fraud against Cambridge City Council. Historically the team has concentrated on benefit fraud, but for more than 12 months its remit has changed to cover:

- i. Social housing fraud,
- ii. Local taxation and discount fraud,
- iii. Local support scheme fraud,
- iv. Benefit fraud,
- v. Some internal investigations.

- 3.3 The team consists of 2.7 FTE officers, 1.0 of which is funded by a successful bid to DCLG. As a result of investigations, the following was achieved during 2013-14:

Identifiable Value	
Amount	Description
£129,422	Benefit fraud identified [can / is being recovered].
£185,672	A total of 45 benefit claims were terminated following investigation [this figure would otherwise have been paid out in a year].
£5,003	2 customers withdraw their claims for benefit when questioned about their validity [this would have been paid in a year].
£180,000	Investigations were conducted for City Homes, resulting in 10 Council owned properties being recovered). This means a new home for 10 households [plus DCLG estimates each recovered property saves a Local Authority £18,000].
£72,633	Customer error identified [can / is being recovered].
£7,071	Fines agreed by customers as an alternative to prosecution [Administration Penalties - can / are being recovered].
£20,268	Investigations resulted in Council Tax discounts/exemptions being removed, generating addition income.
£600,069	Total

- 3.4 The figure of £600,069 compares with £299,625 the previous year.
- 3.5 The total amount of benefit fraud identified this financial year was £129,422. Of this, the single largest fraud was £19,565.
- 3.6 During 2013-14 the FPT imposed a total of 34 Sanctions, including 17 successful prosecutions. There were not any unsuccessful prosecutions. The reduction in the number of sanctions imposed compared with the previous year (43) reflects the cost effective move towards prevention whenever possible.
- 3.7 In addition, other aspects of the team's work during 2013-14 included:
- Investigations conducted on behalf of Registered Social Landlords resulting in the recovery of two Housing Association properties. Whilst a specific monetary value can't be allocated to this achievement, it does mean a new home for two households and it assists in reducing local homelessness.
 - A suspicious benefit claim was refused, before any payments were made.
 - Two suspicious 'Right to Buy' applications were withdrawn.
 - A number of internal investigations were undertaken.
 - Intelligence was supplied to the police in relation to 158 properties or individuals (in line with Data Protection legislation).
 - Intelligence was also shared with other external agencies such as Trading Standards, UK Border Agency and DWP.
 - An alcohol licence was updated and a taxi licence was handed back to South Cambridgeshire District Council following investigation.

Internal Audit

- 3.8 Part of the Internal Audit remit is to investigate any other type of fraud, whistleblowing allegation or theft. Internal Audit look to ensure that employees follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Matters referred to Internal Audit can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Internal Audit, who will investigate those concerns.
- 3.9 During 2013-2014 Internal Audit undertook two investigations concerning potential breaches of the Officer Code of Conduct and the Council's Financial Regulations. Action was taken in accordance with the Council's employment policies.

Corporate Fraud Delivery Arrangements

- 3.10 From next April, changes to the arrangements for investigating Housing Benefit fraud will come into force as a result of Welfare Reform. This will introduce a Single Fraud Investigation Service, which will be operated by the Department for Work and Pensions (DWP), covering all Social Security and Universal Credit fraud investigation.

In light of this change, and in compliance with best practice set out in the Audit Commission's report 'Protecting the Public Purse', it is proposed that an organisational review of the Council's counter-fraud delivery arrangements is conducted. The purpose of this review will be to agree the most effective way of delivering counter-fraud arrangements corporately, covering all potential types of fraud faced by the organisation. This review is one of the actions included in the Annual Governance Statement (AGS) Action Plan, later on this agenda.

4 Fraud Prevention

- 4.1 The Council continues to give out a strong deterrent message about fraud in both publicly issued and internal documents, for example, on Council Tax leaflets and Housing Benefit claim forms.
- 4.2 Revenues and Benefit Services follows appropriate DWP 'Security Guidance' and has adopted a Risk Based Verification process. It has a Fraud Referral Procedure for staff to refer cases of suspected fraud through to the Fraud Prevention Team. A process is in place to remind people claiming benefit of their responsibilities in respect of overpayments; the aim being to prevent overpayments building up which can make repayment difficult and can encourage concealment and therefore fraud.
- 4.3 The National Fraud Hotline Scheme continues to be publicised in the Council Tax leaflet and publicity is sought for successful benefit prosecutions through the local papers and via the Council's website, as this is seen to have a deterrent effect.

5 Fraud Detection

- 5.1 A Social Housing Fraud Hub has been set up with Huntingdon, Peterborough, South Cambs and Fenland District Councils. This involves the sharing of data to detect social housing fraud, such as vacant or illegal sub-letting of council properties.
- 5.2 The authority is required to participate in the National Fraud Initiative (NFI), a national data-matching exercise organised by the Audit Commission every other year that matches data within and between audited bodies to prevent and detect fraud. This includes police authorities, fire & rescue authorities as well as other councils and Housing Associations.

5.3 The NFI is now a wide-ranging exercise and includes the following datasets:

- Housing Benefits
- Payroll
- Housing Rents
- Insurance claims
- Creditors
- Market trader licences
- Taxi-driver licences
- Personal licences to supply alcohol

5.4 Work to investigate the results of the 2012-13 is initially undertaken by Internal Audit and any cases of suspected fraud are referred to the FPT, Housing or Human Resources for further detailed investigation, as appropriate.

5.5 This time, 21 cases were referred to the FPT for further investigation and the key outcomes from these investigations were as follows:

- Identification of over £23,000 of overpaid Housing and Council Tax Benefit, Employment & Support and Job Seekers Allowance;
- Personal details updated on one HB case;
- An alcohol licence was updated;
- A taxi licence was handed back to South Cambridgeshire District Council.
- Single Person Discount was removed in one case, generating an extra £114.37.

5.6 A very small number of minor errors were also highlighted by the NFI in relation to Creditor payments. These have all been rectified.

5.7 The authority also participates in the Housing Benefit Matching Service operated by the DWP.

6 Conclusions

6.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to investigate all concerns arising.

IMPLICATIONS

- (a) **Financial Implications**
None
- (b) **Staffing Implications**
This policy applies to all members of staff.
- (c) **Equality & Poverty Implications**
None
- (d) **Environmental Implications**
None
- (e) **Community Safety**
None

The author and contact officer for queries on the report is Bridget Bishop, Principal Auditor, extension 8182.

Date originated: 16 June 2014
Date of last revision: 16 June 2014

Appendix 1

CAMBRIDGE CITY COUNCIL

PREVENTION OF FRAUD AND CORRUPTION POLICY

1 INTRODUCTION

- 1.1 The purpose of this document is to outline the policies and procedures, which the Council has in place for deterring, reporting and investigating fraud, corruption and theft.
- 1.2 The Prevention of Fraud & Corruption Policy covers cases of fraud, corruption and theft committed by employees, Councillors, contractors, partners and members of the public and relates to allegations of such cases, which originate from anyone including Councillors, employees, partners and members of the public.
- 1.3 Following the introduction of the Bribery Act 2010, a supplementary section has been added to the end of this document setting out the City Council's policy on anti-bribery and the implications of the new Act for the City Council.

2 CULTURE

- 2.1 Cambridge City Council is committed to providing best value services carried out in accordance with the highest ethical standards. The Council will not tolerate any act of fraud, corruption or theft by either a Councillor or an employee, as such acts reduce the public's confidence in the ability of the Council to be managed in an honest, fair and effective manner. Neither will the Council tolerate fraud or corruption attempted by parties external to the Council.
- 2.2 There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.
- 2.3 Where sufficient evidence exists in any fraud or corruption case it is the policy of the Council to refer the matter to the Police.
- 2.4 The Council's employees, Councillors and members of the public are encouraged to raise any concerns relating to possible cases of fraud, corruption or theft. Such concerns will be properly investigated and the outcome reported as appropriate.

- 2.5 The Council will endeavour to recover any losses as a result of fraud or corruption from the perpetrators, as appropriate.
- 2.6 The Head of Internal Audit will report annually on the effectiveness of the Policy to the Council's Civic Affairs Committee, including a summary of any investigations concluded during the year.
- 2.7 The Head of Internal Audit will be responsible for identifying lessons learnt from the outcome of any investigation and for ensuring that, where necessary, controls are strengthened in the areas concerned. The Head of Internal Audit will also consider whether it is appropriate to share the outcome of an investigation with managers across the Council, with a view to preventing similar situations arising.

3 PROCEDURES FOR THE PREVENTION AND DETECTION OF FRAUD

- 3.1 The Council has well-defined procedures for the prevention and detection of fraud, corruption and theft:

Internal Control Systems

- 3.2 The Council's Constitution sets out Financial Regulations and Financial Procedure Rules which Councillors and employees are required to comply with in the conduct of Council business.
- 3.3 The Council has developed and is committed to maintaining systems and procedures which incorporate efficient and effective internal controls to manage the Council's risks and which include adequate separation of duties. These controls prevent and detect irregularities occurring. Directors are required to ensure that such controls are properly maintained and documented. Their existence and appropriateness are independently monitored by Internal Audit and the Council's external auditors.

Recruitment and Employees

- 3.4 Employees are recruited in accordance with procedures laid down by Human Resources. The HR Recruitment Team is responsible for carrying out all the relevant pre-employment checks of potential employees. Criminal Records Bureau (CRB) checks are also undertaken by Human Resources for certain posts identified by management where the employee will be working with children, young people or vulnerable adults. Management are responsible for reviewing references in terms of performance, suitability and integrity.
- 3.5 The Officer Code of Conduct requires employees to maintain conduct of the highest standard such that public confidence in their integrity is sustained. The Code includes guidance on declaring any conflicts of interests, particularly in relation to any commitments outside of the workplace; acceptance of gifts, hospitality and sponsorship and maintaining separation of roles during tendering.

Councillors

- 3.6 All Councillors on accepting office are required to declare that they will be guided by the National Code of Local Government Conduct. The code sets out the requirements for disclosing pecuniary and other interests and gives guidance on accepting any offers of gifts or hospitality including reporting these matters to the appropriate senior officers of the Council.

Complaints Procedure

- 3.7 The Council has an established procedure for dealing with complaints from the public. Details are kept of all complaints and there is a complaints co-ordinator for every service. The way in which complaints are dealt with and the need for changes in response to complaints are monitored on a regular basis. If anyone is dissatisfied with the response to their complaint they can contact the Council's Internal Ombudsman. Where the complaint indicates possible fraud or corruption it is referred to the Head of Internal Audit for investigation.

Benefit Fraud

- 3.8 The Council has a dedicated team in Revenue and Benefits to identify and investigate suspected fraudulent Housing and Council Tax Benefit claims.

4 REPORTING AND INVESTIGATING POTENTIAL FRAUD AND CORRUPTION

- 4.1 Allegations of fraud and corruption can be made **by** or **against** employees, members of the public, Councillors, contractors, suppliers or partners.
- 4.2 Senior managers are responsible for addressing any allegation of fraud or corruption reported to them and should do so by informing the Head of Internal Audit immediately they are discovered.
- 4.3 The Council is committed to the highest possible standards of openness and accountability. In line with that commitment, we expect employees with genuine serious concerns about any aspect of the Council's work to report their concerns to the Head of Internal Audit and this is covered by the Council's Whistleblowing Policy – see [Human Resources Intranet](#).
- 4.4 Employees who report their concerns in good faith will be protected from reprisals or victimisation. However, if employees are found to have made allegations for malicious or vexatious reasons, disciplinary action may be taken against the employee concerned.
- 4.5 The Whistleblowing policy adds an additional method of raising concerns for employees where it is felt inappropriate to approach their line manager, or if their line manager has failed to address their concern properly.

- 4.6 Any allegations against an employee are investigated by the Head of Internal Audit and Human Resources. The relevant Director is informed of the investigation at the outset.
- 4.7 Where Council employees are suspected of fraud or corruption, Human Resources are responsible for ensuring that the investigation is conducted in accordance with Council procedures and employment law to protect the rights of both the Council and the individual(s) concerned. Internal Audit works closely with Human Resources during the investigation. The Manager, supported by Human Resources, is responsible for invoking any disciplinary procedures against the employee(s) concerned.
- 4.8 Allegations about a Councillor should be reported to the Council's Monitoring Officer. Allegations against a Councillor are investigated by the Chief Executive and the Monitoring Officer.
- 4.9 Allegations against members of the public or external organisations must be notified to the Head of Internal Audit immediately they are discovered. The Head of Internal Audit investigates the allegation in conjunction with the relevant department.
- 4.10 The Council also encourages members of the public to raise any genuine concerns, which will be appropriately investigated. If members of the public wish to report an allegation they should contact the Chief Executive or any Director of the Council.
- 4.11 Councillors who wish to report an alleged case of fraud or corruption should contact the Chief Executive, Head of Internal Audit or the relevant Director, as appropriate to the allegation.
- 4.12 In cases of suspected Money Laundering, this should be reported to the Money Laundering Reporting Officer, currently the Head of Internal Audit. More information on the procedures to follow in such cases is included in the Managers' Guide to Anti-Money Laundering.
- 4.13 The process for raising and investigating different types of concern is summarised in the flowchart at Appendix A.
- 4.14 The decision to involve the Police will be made by the Head of Internal Audit in consultation with the relevant Director.
- 4.15 Clear procedures are in place for briefing Members and senior officers of the Council of fraud investigations. See Appendix B for details.

5 LIAISON WITH OTHERS

- 5.1 The Council has arrangements in place for the exchange of information with other agencies in relation to the detection and investigation of fraud and corruption, for example with the Audit Commission for the National Fraud Initiative and the Department for Work and Pensions for Housing Benefit Data Matching. Any transfer of data between the Council and other organisations is conducted in a secure manner.

6 COMMITMENT TO FIGHT FRAUD AND CORRUPTION

- 6.1 The Council considers it has taken reasonable and appropriate steps to combat fraud and corruption within the Council. It is determined that these arrangements will continue to be effective in the future. The Council will therefore consider any future measures to combat fraud and corruption where the proposal can be demonstrated to be cost effective and successful. The Council is also committed to participating in any appropriate Central Government led fraud initiatives.
- 6.2 This strategy will be subject to review to ensure it is kept up to date and relevant.

Definitions of fraud and corruption

For the purpose of this strategy fraud and corruption are defined as:

FRAUD: dishonest or improper behaviour or acts intended to secure an advantage, whether financial or non-financial, for the perpetrator or for a third party, or to cause loss or risk of loss to another.

CORRUPTION: the offering, giving, soliciting or acceptance of an improper inducement or reward in order to influence the action of a Member of the Council, employee, contractor or partner.

Relevant Contact Numbers

Chief Executive	(01223) 457001
Head of Internal Audit	(01223) 458181
Head of Human Resources	(01223) 458101
Monitoring Officer	(01223) 457001
Fraud Prevention Team Leader (Revenue and Benefit Services)	(01223) 457731

FRAUD INVESTIGATIONS: PROCEDURE FOR BRIEFING MEMBERS AND SENIOR OFFICERS

This procedure note is intended to advise Directors, Internal Audit and other staff who may be involved in fraud investigations about the points at which they should ensure that appropriate senior officers and members are briefed. The procedure has to respect the need for confidentiality and the maintenance of proper impartiality where disciplinary action is contemplated. It supplements the requirement in the Council's Financial Regulations section 3.51 for Directors to notify the Head of internal Audit of all suspected irregularities.

The procedure applies to all cases where the alleged fraud involves City Council staff or contractors. It also applies to fraud by members of the public.

1. At the point where officers decide there is sufficient evidence to warrant either:
 - a) commencing formal disciplinary proceedings; or
 - b) referring an investigation to the police

the appropriate Director must ensure that the following are informed:

Officers: CEX and the Monitoring Officer

Members: The leaders of the political groups (CEX) and the party spokespersons (Director) for the relevant committee. This may be impractical if more than one committee is involved. In this case, CEX will brief the Group Leaders.

The content of the briefing required will depend on the nature of the case. Briefing for members can be done orally and if information is particularly sensitive this should be discussed in advance with CEX or Monitoring Officer so that the amount of information to be disclosed can be agreed. The contents of any briefing should be kept confidential by those that receive them.

You should bear in mind that if Members are briefed in any detail they may not be able to be involved in any subsequent disciplinary process. It is unlikely that the party leaders or spokespersons would be needed for this role, but this aspect should be discussed with the CEX or Head of Human Resources in advance.

2. As the investigation proceeds, it is important to keep the information to senior officers and members up-to-date and the Director should repeat the briefing to the CEX and Monitoring Officer and agreed Members as necessary and certainly where:
 - a) an internal disciplinary case is likely to go to Members on appeal;
 - b) an employee is summarily dismissed or resigns in circumstances which were likely to lead to dismissal;
 - c) the police/CPS decide to either drop a case or proceed with charges;

- d) in the case of a prosecution, the court hearing date is given (or amended);
 - e) there is likely to be media interest for some other reason.
 - f) the investigation finds there is no case to answer.
3. In the case of court proceedings the Head of Internal Audit is responsible for checking regularly with the police, the Clerk to the Court or another relevant contact to obtain information on hearing dates and informing the CEX and the relevant Director(s) who need to ensure that Members are informed.

CAMBRIDGE CITY COUNCIL
ANTI – BRIBERY POLICY & PROCEDURES

1. Introduction

- 1.1. The purpose of this document is to supplement the Council's Prevention of Fraud and Corruption Policy and specifically covers the criminal offence of Bribery.
- 1.2. The Bribery Act 2010 came into force on 1 July 2011 and places additional requirements on 'commercial organisations'. Whilst the Council is not a 'commercial organisation' in terms of its normal local authority activities, to ensure that the City Council does not fall foul of the new legislation, the Council should have regard to the principles of the Act in the conduct of its activities and its policies and procedures.
- 1.3. The Bribery Act 2010 (http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a new separate offence of bribing a foreign public official. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery.
- 1.4. The Act extends to all persons associated with the City Council, including employees at all levels and grades, those permanently employed and temporary agency staff; Members (including co-opted or external Members); suppliers; contractors; partners; volunteers and consultants.
- 1.5. The definition of 'Bribery' for the purposes of this policy is given below:

Definition of Bribery:

'Bribery' is defined as:

The promise, giving, request, acceptance or receipt of a financial or other advantage (e.g. hospitality) to induce or reward a person for improper performance of a relevant function or activity. The advantage can be promised, given, requested, accepted or received either directly or via a third party.

The advantage can be for the benefit of the person performing the function or another person.

2 Policy Statement

2.1 Bribery is a criminal offence. Cambridge City Council does not, and will not pay, offer, or request bribes to anyone for any purpose, nor does it or will it accept or receive bribes or improper inducements from anyone for any purpose. To use a third party as a means to channel bribes to others is also a criminal offence.

2.2 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance attitude towards bribery. There is an expectation and requirement that all individuals and organisations associated in whatever way with the Council will act with honesty and integrity and that Council employees at all levels, and Councillors, will lead by example in these matters.

2.3 Areas of the Council's business that could be exposed to the risk of bribery include:

- Procuring of supplies, goods, or services;
- Awarding concessions, grants, and licences;
- Approving planning applications;
- Selling or letting commercial properties;
- Cancelling liabilities (e.g. business rates, debtors);
- Allocating housing;
- Recruiting staff;
- Determining the course of enforcement action.

This is not an exhaustive list, but sets out some of the areas where there may be a risk of bribery arising.

2.4 This Policy does not change the Council's policy on gifts & hospitality, which is set out in the Employee Code of Conduct:

http://intranet.ccc.local/hr/documents/policy_code_of_conduct.doc.

The Code of Conduct makes it clear that you should:

- refuse any gift you are offered by external people you come into contact with at work, with the exception of small, low value items or where refusal is likely to offend the donor.
- only accept hospitality where it is on a corporate rather than a personal basis, and it is appropriate to the occasion.
- ensure there is a record of any gift or hospitality in the Gifts and Hospitality Register and that your Manager has authorised this.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for, or associated with, the City Council. If you witness (or have reasonable grounds to suspect) that any act of bribery has/ is taking place, it is your responsibility to report the matter to the Head of Internal Audit (by telephone: extension 8181 or (01223) 458181 or by e-mail: whistleblowing@cambridge.gov.uk

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CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

25 June 2014

WARDS: All

INTERNAL AUDIT: REVIEW OF EFFECTIVENESS 2013 / 2014

1 INTRODUCTION

- 1.1 In accordance with the requirements of the Accounts and Audit Regulations 2011 the Council conducts an annual review of the effectiveness of Internal Audit. This is to be considered as part of its governance assurance processes, including the production of the Annual Governance Statement.

2 RECOMMENDATION

- 2.1 Members are requested to consider and comment on the Review of Effectiveness.

3 OVERALL OPINION

- 3.1 The report demonstrates that the Council has an effective system of Internal Audit including a policy framework, Internal Audit function, designated audit committee and effective management engagement.**

4 INTERNAL AUDIT EFFECTIVENESS

- 4.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of its Internal Audit and to present the results of that review to the appropriate committee.
- 4.2 An assessment of Internal Audit has been carried out which is presented for consideration by this Committee. It contains an opinion on the effectiveness of the service including self-assessments against a number of publications, these include:
- “*Public Sector Internal Audit Standards*”. These standards replace the “*Code of Practice for Internal Audit in Local Government in the UK (CIPFA, 2006)*”. While they were only introduced on 1 April 2013, it has been used in order that any actions requiring conformity can be established early on and appropriate plans put in place; and
 - The “*Statement on the Role of the Head of Internal Audit in Local Government*” (CIPFA, 2010).

- 4.3 The review was undertaken by the Head of Internal Audit and the report (**Appendix 1**) is presented for Members' consideration and comment.
- 4.4 To further ensure appropriate independent scrutiny of the service, an external assessment will be undertaken to validate the assessment and this is planned for 2015.

5 CONCLUSION

- 5.1 Consideration of a range of views on the system of Internal Audit operating within the Council during 2013 / 2014 indicates that this has been both appropriate and effective. The associated Action Plan has been established in order to continue to monitor the compliance with the Standards.

6 IMPLICATIONS

- (a) **Financial Implications:** None
- (b) **Staffing Implications:** None
- (c) **Equal Opportunities Implications:** None
- (d) **Environmental Implications:** None
- (e) **Community Safety Implications:** None

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Internal Audit Plans
- Internal Audit reports issued
- Internal Audit Terms of Reference
- Accounts and Audit (Amendment) (England) Regulations 2011
- Statement on the Role of the Head of Internal Audit in Local Government, CIPFA
- Public Sector Internal Audit Standards, IIA / CIPFA

To inspect these documents contact Steve Crabtree on extension 8181.

The author and contact officer for queries on the report is Steve Crabtree on extension 8181.



HEAD OF INTERNAL AUDIT

ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

2013 / 2014

ANNUAL REVIEW

- 1. BACKGROUND**
- 2. CURRENT ARRANGEMENTS FOR INTERNAL AUDIT**
- 3. BASIS FOR OPINION**
 - Staff Resources
 - Training and Experience
 - External Audit Opinion
 - Public Sector Internal Audit Standards
 - Statement of Role of Head of Audit
 - Risk Management and Governance Arrangements
 - Civic Affairs Committee
- 4. CONCLUSION**

APPENDICES

- A IIA / CIPFA: Public Sector Internal Audit Standards (Action Plan)**

1 BACKGROUND

- 1.1 The Accounts and Audit Regulations 2011 require all Councils to annually review the effectiveness of Internal Audit and to present the results of that review to the appropriate committee.
- 1.2 An assessment of Internal Audit has been carried out which is presented for consideration by Civic Affairs Committee. It contains an opinion on the effectiveness of the Internal Audit Service including a self-assessment against “*The Public Sector Internal Audit Standards 2013*”. Progress against the previously established Action Plan is included.

2 CURRENT ARRANGEMENTS FOR INTERNAL AUDIT

- 2.1 Internal Audit at Cambridge is provided through an in-house team which is part of the Business Transformation Department, headed up by the (shared) Head of Internal Audit (HIA). It works closely with others in the Council tasked with assurance, governance and risk management but retains a separate identity in relation to the performance of Internal Audit and investigation functions for the Council.
- 2.2 The HIA reports directly to the Director of Business Transformation but also has direct access, if required to the Chief Executive, Leader of the Council, Executive Members and the Chair of Civic Affairs Committee.
- 2.3 At the start of 2013 / 2014 the in-house team comprised 6.03 fte approved posts including the HIA, and a number of changes were made in the year reducing the headcount to 4.29 fte. Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a “first point of contact”. This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.
- 2.4 The overarching strategy for the service is set out in the Annual Audit Plan (approved in March 2014 by Civic Affairs Committee) and this is reiterated in its Terms of Reference. Arrangements for investigation work are defined in the Council’s policies and procedures for Anti-Fraud and Whistleblowing and these are reported on in the Annual Report on the Prevention of Fraud and Corruption. Internal Audit work follows recognised best practice standards and is independently reviewed by External Audit.
- 2.5 To examine the system of internal audit, this review considered several key elements and assessed their contribution in enabling the section to fulfil its responsibilities. These were:
 - The structure and resourcing level, including qualifications and experience of the audit team;
 - The extent of compliance with the Public Sector Internal Audit Standards;

- Comparison with the Statement on the Role of the Head of Internal Audit;
- Ensuring that the Section successfully audits the most appropriate areas on a prioritised (risk) basis; and
- The performance of the audit team (details of which are reported in the Head of Internal Audit Opinion report).

3 BASIS FOR OPINION

3.1 Staff Resources

During 2013 / 2014 there were a number of changes made to the structure, namely:

- April 2013. Ongoing vacancy of a Senior Auditor post (0.6 fte);
- July 2013. South Cambridgeshire DC joined the shared management arrangements, reducing the HIA to 40%.
- August 2013. Resignation of a Senior Auditor (1.0 fte);
- August 2013. Resignation of an Audit Assistant (1.0 fte);
- September 2013. Review of internal audit structure, resulting in the deletion of an Audit Assistant post, deletion of the ongoing vacant Senior Auditor post and agreement to fill the full time post;
- September 2013 – February 2014. Use of agency / temporary staff to continue to backfill the agreed audit plan until successful recruitment.
- October 2013. A Senior Auditor returns from maternity leave.
- February 2014. Senior Auditor post advertised¹

3.2 Training and Experience

3.2.1 Training plans encourage ongoing improvement via both career progression and continuing professional development. The following information about qualifications and experience of staff available for audit work demonstrates the significant experience and rich qualification mix in the Section.

Audit Experience	Cambridge City Council service ranges from a minimum of 7 years' service within Internal Audit to over 25 years Previous work experience is with external auditors, banks and other local authorities.
Qualifications	Qualified Accountants – CIPFA (x2); ACCA (x1) Institute of Internal Auditors – Diploma (x1); Certificate (x1)

¹ Subsequent appointment made in April 2014

- 3.2.2 The level of experience of audit staff remained constant during the year. There was some staff rotation to enable a breadth of experience and for continuing professional development and this will continue based on operational need and the priority and timing of work. This approach provides increased flexibility to meet audit needs, particularly in time specific and statutory audits.
- 3.3 External Audit Opinion**
- 3.3.1 External Audit comment in the Annual Audit Letter on the adequacy, or otherwise, of Internal Audit as well as other governance arrangements. The latest report taken to Civic Affairs Committee concluded that they could place reliance on the work of Internal Audit.
- 3.3.2 Liaison with the external auditor offers the opportunity to share information and to inform risk assessments to allow for the optimum use of finite resources.
- 3.4 Public Sector Internal Audit Standards (PSIAS)**
- 3.4.1 PSIAS came into effect from 1 April 2013 and details of the new standards were discussed on the Civic Affairs Committee agenda in March 2013. Specific guidelines relating to their adoption by Local Government have been used to provide a checklist for establishing the degree of compliance. Analysis is shown in **Appendix A**, together with a summary improvement plan.
- 3.4.2 Following the review, in accordance with standard 1322, significant deviations must be reported to those charged with governance. It is pleasing to note that only minor issues have been identified – such as regular reviews of our procedures (which are undertaken anyway) and the new requirement of obtaining an external appraisal of the service over a 5 year period. It can be concluded therefore that there are **no significant areas** to be addressed.
- 3.5 Statement on the Role of the Head of Internal Audit in Local Government**
- 3.5.1 CIPFA published its Statement on the role of the Head of Internal Audit (HIA) in Local Government in December 2010 following widespread consultation. The statement sets out best practice for HIAs to aspire to and for Audit Committees and others to measure Internal Audit against. As well as articulating the core responsibilities of the HIA, it also identifies the personal and professional skills needed.
- 3.5.2 Based on five principles, it defines the core activities and behaviours that belong to the role of the HIA and the organisational arrangements needed to support them. For each principle it sets out the governance arrangements required to ensure that HIAs are able to operate effectively and perform their core duties. It also sets out the core responsibilities of the HIA.
- 3.5.3 There is a series of attributes and personal qualities which sit below these principles, some subjective. A full review against the standards was undertaken and reported to Civic Affairs in June 2012. This indicated that the role of the Head of Internal Audit at Cambridge met the underlying aims of the five principles. Minor improvements were identified and these are also highlighted within the new PSIAS.

3.6 Risk Management and Governance Arrangements

3.6.1 Prioritisation of the work of Internal Audit is achieved by the development and delivery of an annual risk based Audit Plan. This describes the assurance plans for the Section and includes some capacity for flexibility to adjust to changing circumstances and for demand led and urgent work if appropriate. The plan is based on a mix of different types of audit and risk based work to ensure that assurance over the Council's systems of governance, risk management and internal control is obtained from a number of different directions and sources.

3.6.2 The Section's methodology for establishing audit priorities is aligned with the Council's governance and risk management systems. Audit plans are developed through an assessment of risk and assurance needs to support the Council's overall objectives. The Section reviews corporate and departmental risk registers, business plans and discusses Council objectives and priorities with Directors and Heads of Service to assess assurance needs. The Audit Plan is discussed and approved by Civic Affairs Committee in March each year.

3.6.3 It is considered that the 2013 / 2014 Audit Plan represented a reasonable view of critical areas for audit review and assurance needs when it was constructed and agreed with senior management and Committee. During the year some audit work was deferred or cancelled due to the timing of the audits. The impact of budget cuts and organisational change was reflected in the reassessment of the work and alternative means of gaining assurance where appropriate.

3.6.4 For 2013 / 2014, the agreed Audit Plan again shows links to the corporate aims / objectives in order to clearly demonstrate how audit work relates to the achievement of Council objectives.

3.7 Civic Affairs Committee

3.7.1 The system of Internal Audit includes the role of the "Audit Committee" and in particular its role in the receipt and evaluation of audit reports, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place for the delivery of an effective service. The arrangements for the Committee remained the same during 2013 / 2014 with continuity of membership assisting in maintaining an effective committee. All members are also provided with access to audit reports through the secure portal set up on the intranet. This provides for increased transparency of the audit service delivered as well as providing assurance that governance arrangements are operating appropriately within the organisation.

4 CONCLUSION

Consideration of a range of views on the effectiveness of Internal Audit operating within the Council during 2013 / 2014 indicates that this has been both appropriate and effective. The report demonstrates that the Council has an effective system of Internal Audit including a policy framework, Internal Audit function, audit committee and effective management engagement.

COMPLIANCE AND QUALITY IMPROVEMENT PLAN (PSIAS 1320)

For the purposes of the review, the following definitions are used:

- Chief Audit Executive (CAE) = Head of Internal Audit
- Board = Civic Affairs Committee
- Senior Management = Strategic Leadership Team

Reference	STANDARD	COMMENTARY	ACTION
1000	<p>Purpose, Authority and Responsibility</p> <p>The purpose, authority and responsibility of Internal Audit activity must be defined in an Internal Audit charter, consistent with the <i>Definition of Internal Auditing</i>, the <i>Code of Ethics</i> and the <i>Standards</i>. This should be approved by Senior Management and the Board.</p>	<p>The Terms of Reference are regularly reviewed the last update being in December 2012.</p>	<p>The Terms of Reference and Audit Manual will be compared with the new Standards to ensure compliance. Once reviewed it will be submitted to senior management and the Board for approval.</p> <p>Progress: A revised Audit Charter (replacing the Terms of Reference) together with a Code of Ethics for Internal Audit was referred to Civic Affairs Committee in March 2014 as part of the Audit Plan papers.</p>
1110	<p>Organisational Independence</p> <p>The CAE must establish effective communication links with the Chair of the Board and Chief Executive</p>	<p>There is no scheduled meeting between the Civic Affairs Committee chair and the HoIA. Formal meetings are part of the committee cycle throughout the year.</p> <p>Access is available to the Chief Executive on request.</p>	<p>Agree arrangements for liaison / communication meetings between HoIA and Civic Affairs Chair (and opposition spokesperson)</p> <p>Progress: Following change in Committee membership, this will be resurrected.</p>
1220	<p>Due Professional Care</p> <p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p>	<p>The Audit Manual sets out the standards individual auditors must meet in their allocated assignments. The Manual is based on the previous Code of Practice and therefore needs to be reviewed to take account of any changes required to meet the PSIAS and to reflect improvement made locally since it was last reviewed.</p>	<p>Review and update the Audit Manual</p> <p>Progress: Ongoing reviews throughout the year enable the Audit Manual to remain up-to-date.</p>

Reference	STANDARD	COMMENTARY	ACTION
1300	<p>Quality Assurance and Improvement Programme</p> <p>The CAE must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.</p>	<p>The objective is to provide for an assessment of compliance with the PSIAS, together with efficiency and effectiveness of internal audit activity. Previous annual reviews against Code of Practice have been referred to Civic Affairs. The programme should also identify opportunities for improvement</p>	<p>This appendix is to be referred to as the Improvement Programme.</p> <p>Progress: Action is ongoing at delivering the improvements.</p>
1312	<p>External Assessments</p> <p>External assessments must be conducted at least once every 5 years by a qualified independent assessor from outside the organisation. The CAE must discuss with the Board:</p> <ul style="list-style-type: none"> - The form of external assessments. - The qualifications / independence of the external assessor – including conflicts of interest. 	<p>NEW REQUIREMENT.</p> <p>External assessment can be either “full” assessment or self-assessment with independent external evaluation.</p> <p>Ongoing discussions with other local authorities within the county to look to undertake a peer review in order to minimise costs.</p>	<p>Proposals will be submitted to Civic Affairs detailing future arrangements and timescales agreed.</p> <p>Progress: We are looking to establish consistency across the partnership and it is proposed to look at external validation in 2015.</p>
2040	<p>Policies and Procedures</p> <p>The CAE must establish policies/procedures to guide the internal audit activity.</p>	<p>The Audit Manual sets out the necessary policies and procedures.</p>	<p>As per Standard 1220.</p>
2120	<p>Risk Management</p> <p>The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.</p>	<p>Fraud survey reviewed.</p>	<p>Proactive work will be facilitated once IDEA software is obtained later in 2013. (This is an interrogation software package, which will allow various tests on data sets across the authority).</p> <p>Progress: Software obtained March 2014. Liaison with other Cambridgeshire authorities to establish training arrangements, work routines etc. This provides for the opportunity for continuous auditing of Council datasets rather than just reliance on the National Fraud Initiative.</p>

CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Internal Audit

TO: Civic Affairs Committee

25 June 2014

WARDS: All

HEAD OF INTERNAL AUDIT: ANNUAL AUDIT OPINION 2013 / 2014

1 INTRODUCTION

- 1.1 In accordance with the Public Sector Internal Audit Standards the Head of Internal Audit (HIA) should provide a written report to those charged with governance. This is timed to support the Annual Governance Statement (AGS), which is also being presented to this committee for challenge by Members, before being signed off by the Leader of the Council and Chief Executive. The Head of Internal Audit is required to give an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and the risk management framework.

2 RECOMMENDATIONS

- 2.1 Members of Civic Affairs Committee are asked to review, and provide challenge to, the opinion of the Head of Internal Audit.

3 OVERALL OPINION

- 3.1 **The overall conclusion is that Cambridge City Council has a fundamentally sound governance framework from which those charged with governance can gain assurance.**
- 3.2 However, no system of control can provide absolute assurance against material mis-statement or loss, nor can Internal Audit give that assurance.

4 BACKGROUND

- 4.1 The Internal Audit service works within a framework of:
- General acceptance of control within the management culture;
 - Agreement of actions arising from Internal Audit reports; and
 - A high level of support from Senior Management and Members.
- 4.2 Audits during the year have been conducted in accordance with the principles contained in the Public Sector Internal Audit Standards and these were set and reported to Civic Affairs in March 2013.

- 4.3 Given this context, and in the light of work undertaken in the year, the Head of Internal Audit is able to give reasonable assurance on the adequacy and effectiveness of the organisation's internal controls in respect of the work undertaken. Further details are available in **Appendix 1**.
- 4.4 In preparing the overall opinion, the Head of Internal Audit has reviewed all audit activity carried out during 2013 / 2014. Each individual audit undertaken contains an assurance opinion on the adequacy and effectiveness of controls in place to mitigate the risks identified by managers. Where weaknesses in control are identified, an action plan is agreed with management and this is recorded in the Council's Risk Register. Progress is monitored against target dates for delivery of these agreed actions during the year.

5 SIGNIFICANT CONTROL WEAKNESSES

- 5.1 While our work has not identified any significant control weaknesses, there are a number of issues which have emerged from across the Council during 2013 / 2014 which have been incorporated into the Annual Governance Statement Action Plan. As part of our involvement in the preparation and validation of the Annual Governance Statement we agree that these actions are appropriate.

6 CONSULTATIONS

- 6.1 Managers and Heads of Service are consulted on all Internal Audit reports at draft stage to agree the proposed action plan. Directors, the Leader of the Council, the relevant Executive Councillor and the Council's External Auditors receive copies of the final versions of all Internal Audit reports. Copies of Executive Summaries are sent to the Chief Executive and the Council's Monitoring Officer.

7 IMPLICATIONS

- (a) **Financial Implications:** None
- (b) **Staffing Implications:** None
- (c) **Equality and Poverty Implications:** None
- (d) **Environmental Implications:** None
- (e) **Community Safety:** None

BACKGROUND PAPERS:

The following are the background papers that were used in the preparation of this report:

- Audit Plan for 2013/2014;
- Audit Reports issued during 2013/2014; and
- Public Sector Internal Audit Standards 2013

To inspect these documents contact Steve Crabtree on extension 8181.

The author and contact officer for queries on the report is Steve Crabtree on extension 8181.

HEAD OF INTERNAL AUDIT ANNUAL AUDIT OPINION 2013 / 2014

ANNUAL REPORT

1. Introduction
2. Arriving at an Opinion
3. Head of Internal Audit Opinion
4. Basis For Head of Internal Audit Opinion
5. Resourcing and Performance
6. Audit Plan Coverage

1. **INTRODUCTION**

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Civic Affairs Committee and the Director of Business Transformation, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.

1.2 This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2013 / 2014. The Internal Audit Plan was developed to primarily provide management with independence assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers.

2.2 **Risk Based Audit Planning**

Internal Audit continues to embrace the risk assessment approach to audit. A risk based approach is used to develop the Internal Audit Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. During the course of the year the risks of the Authority are continually reviewed. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Risk based reviews of fundamental financial systems that could have a material impact on the accounts and other corporate and departmental systems;
- Contract, procurement, performance and project audits; and
- Fraud and irregularity investigations

2.3 Reporting

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion (such as consultancy work, involvement in working groups, review of NFI reports and follow-ups). The report opinion, along with our consideration of other audit work, is used to formulate the overall Head of Internal Audit Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
Full	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Significant	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

The report opinion is based upon the number / type of recommendations we make in each report. Individual action categories are as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

3. OPINION 2013 / 2014

In line with the Public Sector Internal Audit Standards and prior best practice, the HoIA must provide a written report to those charged with governance timed to support the Annual Governance Statement. This report must include an opinion on the overall adequacy and effectiveness of the organisation's control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

The internal control environment is fundamentally well established and continuing to operate well in practice even though 2013 / 2014 has been a challenging year for the organisation. There have been instances where the control environment was not strong enough or complied with sufficiently to prevent significant risks to the organisation. The main area of concern in the year has been in relation to the management of contracts and projects and Internal Audit has been working closely with management in this area to improve key controls. This has been included in the Annual Governance Statement as an action to be addressed going forward. All Executive Summaries of audit reports have been made available to Members throughout the year via the secure intranet. Nevertheless, the key conclusions from the reports are detailed in Section 3 below.

The overall conclusion is that Cambridge City Council has a **sound governance framework** from which those charged with Governance can gain **reasonable assurance**. Internal Audit has made a number of recommendations to further improve the systems of control and the organisation is actively working to make improvements in these areas. Agreed actions are recorded and monitored through the Council's risk register.

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas where improvements are necessary.

However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

Steve Crabtree
Head of Internal Audit
June 2014

4. **BASIS OF HEAD OF INTERNAL AUDIT OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2014 is listed in Section 6, which summarises all the audits undertaken and their results in terms of the audit assurance levels provided and the number of actions agreed. A summary of assurance levels is detailed below.
- This shows that **83%** of the areas audited achieved an assurance level of significant or higher, compared to **65%** last year (and **62%** and **59%** in previous years).

AUDIT ASSURANCE												
Assurance	Issued					%						
	10/11	11/12	12/13	13/14	10/11	11/12	12/13	13/14	10/11	11/12	12/13	13/14
Full	5	4	2	0	18	14	6	0				
Significant	11	14	20	20	41	48	59	83				
Limited	10	10	11	4	37	34.5	32	17				
No	1	1	1	0	4	3.5	3	0				
Total	27	29	34	24	100	100	100	100				100
N/A	-	-	7	3	-	-	-	-				-

- 4.2 In addition to the audits summarised in the above table, further audit work was carried out including consultancy work and other specific activities such as special investigations. These works do not usually warrant an assurance rating, but there may be actions arising from the work undertaken to address the issues identified. At the year-end a number of audits were in various stages of completion and audit opinions relating to these will be reported during 2014 / 2015.
- 4.3 **Annual Governance Statement**
- In June 2007, CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. The Department for Communities and Local Government has determined that this guidance represents proper practice. Consequently, Civic Affairs Committee should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems.

Using our audit work and being involved in the development of the Annual Governance Statement we can confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

4.4 Risk Management

Internal Audit have been involved in the development and roll out of the new risk management arrangements across the Council. The updated Risk Management Strategy setting out the revised framework was approved by Civic Affairs in March 2013. All agreed Internal Audit actions are recorded on the risk register and monitored for implementation. Quarterly reports are referred to each Departmental Management Team on outstanding actions and are also flagged up with the Strategic Leadership Team half yearly. The summary position is as follows:

ACTIONS MADE					
Year	Agreed	Implemented	Completion Date Not Due	Cancelled	Overdue Action
2012 / 2013	140	107	4	4	25
2013 / 2014	57	11	12	0	34

4.5 Key Financial Systems

A risk based review of the authority's key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation's control environment. As in previous years, the key financial systems subject to audit were used by the authority's external auditors as a key source of assurance for the organisation. These have been reviewed and they confirm that it meets their requirements in terms of timeliness, quality and supporting evidence. Audit coverage during the year has provided sufficient evidence to conclude that those key financial control systems evaluated are adequate, but a number of actions have been identified to rectify any system weaknesses identified.

4.6 **Summary Activities**

Section 6 identifies the works undertaken and concluded in the year. Key activities include reviews of:

- Preparations for the introductions of Individual Electoral Registration;
- Compliance with the requirements of the Equalities Act;
- Receivables and VAT; and
- The new Home Improvement Agency.

In addition, the Section was involved in two whistleblowing investigations and provided advice on a number of key Council projects/procurements, including the ICT FM contract re-let, Clay Farm Community Centre and land disposal, the new Box Office Ticketing software and the Leisure Management contract.

4.7 **Allegations of Fraud and Breaches of Code of Conduct**

Fraud and Irregularity investigations were previously reported to the Standards Committee annually. This would have covered Internal Audit work as well as that of the Revenue and Benefits Services Fraud Prevention Team. This is now part of the remit for Civic Affairs and a report earlier on this agenda covers fraud and whistleblowing.

5. **RESOURCING AND PERFORMANCE**

5.1 **Resourcing**

At the start of 2013 / 2014 the in-house team comprised 6.03 fte approved posts including the HIA, and a number of changes were made in the year reducing the headcount to 4.29 fte. Due to its size, the section is not structured around client / service based teams or Council directorates. This has allowed the opportunity for auditors to develop a depth of knowledge / relationships with customers in relation to the work of a number of services rather than specific areas. However, a number of officers have specific technical attributes that provide the organisation with a "first point of contact". This provides some continuity to the customer who can regularly deal with the same auditor over a period of time.

5.2 Performance

During the year, it should be noted that:

- Customer feedback remains positive;
- The continuation of the shared service arrangement with Peterborough City Council which is delivering cost efficiency savings and improved performance. This has now been extended to include South Cambridgeshire District Council from July 2013;
- External audit reliance on our work; and
- Sickness levels remain below corporate levels.

6. AUDIT PLAN COVERAGE

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY	
			AGREED				Action status: 31 May 2014					
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due		
CORE SYSTEM ASSURANCE WORK			Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s151 officer to make his statement included in the Annual Accounts on the reliability of the supporting financial systems.									
Housing Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Complete Work for External Audit.
Budget Setting Process	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	On-going works reported to Civic Affairs
Accounts Payable												Draft Report
Accounts Receivable	13/14 - 31	Significant	0	2	4	2	8	1	0	7		Complete
VAT	13/14 - 29	Significant	0	0	1	1	2	1	0	1		Complete

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY
			AGREED			Action status: 31 May 2014				
			Critical	High	Med	Low	Total	Complete	Overdue	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK			Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details the audit work that specifically relates to the production of the Annual Governance Statement							
Annual Governance Statement			Completed – report to Civic Affairs June 2013							Complete
Annual Audit Opinion			Completed – report to Civic Affairs June 2013							Complete
Internal Audit Effectiveness			Completed – report to Civic Affairs June 2013							Complete
Prevention of Fraud and Corruption Policy			Completed – report to Civic Affairs June 2013							Complete
National Fraud Initiative			2012/13 Investigation work complete							Complete

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY	
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due
CORPORATE / CROSS CUTTING AUDITS											
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.											
Health and Safety											Fieldwork
Achievement of Income and Savings Targets											Draft Report
Safeguarding											Fieldwork
Data Security & Data Sharing Protocols											Postponed until 2014-15
IT Infrastructure											Fieldwork
Security of On-Line Transactions											Draft Report
Corporate Governance											Planning
Compliance with the requirements of the Equalities Act	13/14 - 25	Significant	0	0	4	4	8	3	1		Complete
Tackling fuel poverty	13/14 - 06	Significant	0	0	1	0	1	1	0	0	Complete
Preparations for Growth Sites	13/14 - 02	Significant	0	0	1	0	1	0	0	2	Complete
Use of Consultants	13/14 - 19	Significant	0	0	2	0	2	0	0	2	Complete

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY		
			AGREED				Action status: 31 May 2014					
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due	
CONTRACTS AND PROJECTS			Dependent on risk, we review a sample of projects and contracts each year to test whether the Councils governance arrangements are being followed and that contracts provide value for money									
Planned Maintenance	13/14 - 13	Significant	0	4	0	0	4	1	3	0	Complete	
ICT FM Contract Re-let			Complete – advice provided during contracting process									Complete
Leisure Management Contract Re-let			Complete – advice provided during contracting process									Complete
Tour de France			Watching Brief – Project Advice – Gateway review undertaken in 2014/15									Watching Brief
District Heating Project			Watching Brief – Project Advice									Watching Brief
Clay Farm – Community Centre			On-going monitoring. Project continues in current financial year and works have been picked up in the plan									Watching Brief
Clay Farm – Land Disposal			On-going monitoring. Project continues in current financial year and works have been picked up in the plan									Watching Brief
Clay Farm – Review of Developer agreements												Planning
Green Deal			Cancelled – County Council has taken over the running of this project									Cancelled
Box Office Ticketing Software			Complete – advice provided during contracting process									Complete
Building Cleaning Contract			Watching Brief – Project Advice – Ongoing into 2014/15									Watching Brief
Park Street Car Park			Watching Brief – Project Advice									Watching Brief
Grafton West Car Park Refurbishment												Watching Brief

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY	
			AGREED			Action status: 31 May 2014					
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due
DEPARTMENT	CHIEF EXECUTIVES										
Elections/Electoral Register	13/14 - 26	Significant	0	2	2	1	3	0	2	1	Complete
DEPARTMENT	CUSTOMER AND COMMUNITY										
Folk Festival											Ongoing advice
Implementation of Local Taxation Scheme											Planning
Homelessness											Two reports drafted
PREVENT Funding											Planning
Corn Exchange Box Office											Planning

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY		
			AGREED			Action status: 31 May 2014						
			Critical	High	Med	Low	Total	Complete	Overdue		Not Yet Due	
DEPARTMENT	ENVIRONMENT											
Delivery of Developer Contribution Projects	13/14 - 01	Significant	0	0	0	0	0	0	0	0	0	Complete
Planning PI	13/14 -11	Significant	0	0	0	0	0	0	0	0	0	Complete
Leaseholder Charges (Grounds Maintenance)	13/14 - 20	No assurance rating given as no information available to audit – postponed until 2014/15										Complete
Building Control												Planning
Managing Events on Open Spaces												Report drafted
Carbon Reduction Management	13/14 - 12	Significant	0	0	0	0	0	0	0	0	0	Complete
Enforcement												Initial advice provided
Community Infrastructure Levy (CIL)												Deferred until 2014 / 2015
Licences												Planning
Land Charges												Fieldwork
DEPARTMENT	RESOURCES											
Admin Building Management												Report Drafted
Compliance with HR Policies												Fieldwork
ICT Licensing Arrangements												Fieldwork

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS										COMMENTARY
			AGREED					Action status: 31 May 2014					
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due			
COMPLETION OF ACTIVITIES BROUGHT FORWARD FROM PREVIOUS YEAR													
Implementation of the outcomes from the Business and Support Services Review	13/14 - 10	Significant	0	4	5	1	10	1	8	2		Complete	
Purchase Orders												Report drafted	
Fees and Charges												Report drafted	
Mercury Abatement	13/14 - 21	Limited	0	1	2	0	3	1	1	1		Complete	
Orchard Upgrade												Planning	
Homelessness Assessment Centre												Report Drafted	
Ditchburn Place Care Contract	13/14 - 24	Significant	0	1	0	0	1	1	0	0		Complete	
Right to Buy												Draft Report	
Home Improvement Agency	13/14 - 28	Limited	0	2	7	1	10	0	8	2		Complete	
Officer Consultation on Planning Applications												Report drafted	
Council Tax	13/14 - 07	Significant	0	1	1	0	2	0	2	0		Complete	
Treasury Management	13/14 - 03	Significant	0	2	0	0	2	2	0	0		Complete	
Tree Management	13/14 - 27	Limited	0	3	1	0	4	0	0	4		Complete	

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS							COMMENTARY
			AGREED			Action status: 31 May 2014		Not Yet Due		
			Critical	High	Med	Low	Total		Complete	
FOLLOW UP PROVISION										
Service Continuity Plans	13/14 - 08	Significant								Complete
Responsive Repairs	13/14 - 17	Significant								Complete
Commercial Property	13/14 - 18	Limited - Action agreed to address outstanding action								Complete
Insurance	13/14 - 15	Significant								Complete
Contractor Health & Safety	13/14 - 09	Significant								Complete
Trees	13/14 - 23	Significant								Complete

UNPLANNED ACTIVITIES: PROJECT MANAGEMENT / GENERAL ADVICE											
Various pieces of ad-hoc contracts advice have been provided. These covered all stages of the contracts process. Key activities covered:											
<ul style="list-style-type: none"> • Planned maintenance • Responsive repairs 											
UNPLANNED ACTIVITIES: REQUESTS											
Key activities covered:											
<ul style="list-style-type: none"> • Information Security Group • Review of Contract Procedure Rules 											
UNPLANNED ACTIVITY: SPECIAL INVESTIGATIONS – E.G. ALLEGATIONS OF BREACHES OF OFFICER CODE OF CONDUCT / WHISTLEBLOWING											
S.I. – Customer and Community	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Whistleblowing
S.I.- Environment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Whistleblowing
RISK MANAGEMENT											
On-going work includes the review and monitoring of Council's risks and implementation of actions agreed to mitigate these.											

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CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

25/06/14

WARDS: All

ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2013/14

1 INTRODUCTION

- 1.1 The preparation of an Annual Governance Statement (AGS) is necessary to meet the statutory requirements as set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The AGS covers the Council's governance arrangements for the 2013-14 reporting year and is published as part of the Statement of Accounts.
- 1.2 This report includes the draft AGS and incorporated AGS action plan (presented in **Appendix A**) for the Members of Civic Affairs Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 1.3 This report also identifies progress with the 2012/13 AGS action plan and presents the necessary recommendations for Member approval that will allow the Council as a whole to ensure that the AGS is produced in accordance with CIPFA guidance and therefore meet External Audit requirements.
- 1.4 The Council's Code of Corporate Governance summarises the ways in which the authority directs and controls its functions and relates to its communities. It is reviewed annually.

2 RECOMMENDATIONS

- 2.1 That Members of Civic Affairs Committee:
 - note the arrangements for compiling, reporting on and signing the AGS.
 - critically review the draft AGS and incorporated action plan (**Appendix A**) having regard to the Head of Internal Audit Annual Opinion (earlier on this agenda); and
 - advise the Leader of the Council and Chief Executive on any issues arising from the draft AGS and action plan.
- 2.2 That the Council approves the Code of Corporate Governance (Appendix B) at Full Council on 24th July.

3 BACKGROUND TO THE AGS

Scope of the AGS

- 3.1 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
- The Council's policies are implemented in practice;
 - High quality services are delivered efficiently and effectively;
 - The Council's values and ethical standards are met;
 - Laws and regulations are complied with;
 - Required processes are adhered to;
 - Its financial statements and other published information are accurate and reliable; and
 - Human, financial and other resources are managed efficiently and effectively.

Arrangements for Compiling the AGS

- 3.2 CIPFA, in conjunction with SOLACE, have produced a framework for delivering good governance in local government. Since 2003/04, responsibility for preparing the AGS rested with Internal Audit and this was performed working to the CIPFA/SOLACE framework.
- 3.3 In December 2010, CIPFA issued its statement on 'The Role of the Head of Internal Audit in Local Government', which states that the Head of Internal Audit should 'set out the framework of assurance that supports the Annual Governance Statement and identify Internal Audit's role within it', but 'should not be responsible for preparing the report.'
- 3.4 Arrangements for compiling the AGS for 2013-14, as last year, have been undertaken by the Head of Legal Services (the Council's Monitoring Officer) in conjunction with the Head of Corporate Strategy and the Principal Auditor.
- 3.5 Assurances from the work of the Internal Audit team relating to 2013/2014 have been reviewed and have been used to inform the AGS and its associated action plan.
- 3.6 One of the key messages coming out of the CIPFA/SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements.

Arrangements for reporting on and signing off the AGS

- 3.7 The draft AGS and Action Plan is being presented to the Members of this Committee for them to review and advise the Leader and Chief Executive upon, prior to it being signed off by the Leader and the Chief Executive.
- 3.8 Members are asked to consider the Head of Internal Audit's Annual Opinion, which is presented earlier on this agenda, in their review of the AGS.

4. Progress with the 2012-13 AGS Action Plan

- 4.1 All of the actions included in last year's AGS Action plan have either been completed in full or partially completed as follows:

- ***Budget Setting Forecast*** - The actions set out in the action plan drawn up in response to Ernst & Young's report on errors identified in the 2012-13 budget setting forecast have been implemented. New arrangements have been put in place with the Medium Term Financial Strategy being replaced by a Mid-Year Financial Review. Staffing related issues have been addressed and changes have been made to the structure of the Finance Team to separate the role of Section 151 officer from the role of the Director.

Internal Audit have worked with the Finance Team to review these new arrangements and have reported that the new processes appear robust and include all stages/requirements to deliver appropriate financial control. However, as the Council has not yet run through a full financial cycle it has not been possible to verify all of these in a 'live' environment. Internal Audit will undertake further assurance work during 2014-15, as part of the audit plan, to ensure appropriate evidence is in place for all changes to financial arrangements. This will be included as an action in the 2013-14 AGS Action Plan.

- ***Risk Management*** – A follow up to the audit of the Risk Management Framework has recently been completed. This concluded that risk management is becoming further embedded across the organisation and the assurance rating was raised from 'limited' to 'significant'. Twice yearly reports are made to the Strategic Leadership Team to update them on the risk management process and the Risk Management Team sends quarterly reports to Directors on their significant and high risks and overdue actions.
- ***Contractor Health & Safety*** – The follow up audit of this area has recently been completed to ensure that the agreed actions for documenting checks undertaken on contracts have been implemented. The majority of actions have now been actioned and therefore the assurance rating for this area has been raised from limited to significant.

- **Officer Code of Conduct** - The Officer Code of Conduct was updated last year to provide greater clarity on the acceptance of gifts and hospitality. The updated Code was approved at Civic Affairs last year. Whilst the unions raised no objection to the changes made to the Code, UNISON did raise issues regarding other unrelated aspects of the Code. These have now been agreed and the updated Code will be re-issued shortly.
- **Scheme of Delegations** - Work is in progress to ensure that the Council's Scheme of Delegations is up to date and accurate. A survey of senior officers has been completed to identify areas in which delegations might be improved and a report elsewhere on this agenda identifies areas for action.

4.2 **Appendix A** to this report details the action plan to address significant governance issues during 2014/15.

5. BACKGROUND TO THE CODE OF CORPORATE GOVERNANCE

5.1 The Council adopted a Code of Corporate Governance on 25 April 2002 and it has been reviewed annually since then.

5.2 There are no significant changes to the Code this year. The Code has been revised to ensure that references to supporting plans, policies and procedures are up to date.

6. CONSULTATIONS

6.1 Key officers have been consulted in compiling the 2013-14 AGS and Action Plan. The draft AGS and Action Plan have been shared with the Council's External Auditors.

7. CONCLUSION

7.1 The draft AGS and draft Code of Corporate Governance set out the governance framework for the City Council and identify a number of issues where action is planned to improve the level of governance.

8. IMPLICATIONS

- (a) **Financial Implications**
None
- (b) **Staffing Implications**
None
- (c) **Equality and Poverty Implications**
None
- (d) **Environmental Implications**
None
- (e) **Community Safety Implications**
None

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Delivering Good Governance in Local Government – The Framework and Guidance Note for English Authorities – CIPFA/SOLACE plus Addendum (December 2012)
- The Annual Governance Statement: Meeting the Requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006
- The CIPFA Finance Advisory Network – A Rough Guide for Practitioners 2007/08.
- Application Note to Delivering Good Governance in Local Government – a Framework – CIPFA/SOLACE – March 2010
- Accounts and Audit (England) Regulations 2011
- Statement on the Role of the Head of Internal Audit in Local Government – CIPFA – December 2010
- Statement on Role of the Chief Financial Officer – CIPFA

To inspect these documents contact Bridget Bishop on extension 8182.

The author and contact officer for queries on the report is Simon Pugh, Head of Legal Services and Monitoring Officer, on (01223) 457401 or email simon.pugh@cambridge.gov.uk.

Annual Governance Statement

Scope of Responsibility

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cambridge City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.cambridge.gov.uk or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 regulation 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which Cambridge City Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cambridge City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements include:

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.
- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.
- The Council's Mid-Year Financial Review, which identifies how the Council will resource its aspirations and plans for any financial risks.
- A Budget Setting Report, which sets out overall spending plans and includes a Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- The arrangements for regular budget monitoring and reporting of significant variances to senior management.

- An independent Internal Audit function with a risk-based audit plan.
- An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.

- The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.
- Codes of Conduct for Members and officers, which have been formally approved and are reviewed regularly and available to all Members and staff.
- The Council's Civic Affairs Committee, which promotes and maintains high standards of conduct by Members and which has overall responsibility for the Council's compliance with laws and regulations.
- The role of the Council's Civic Affairs Committee, which fulfils the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.
- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed regularly by the Council's Civic Affairs Committee.
- A Register of Interests, which is maintained and reviewed regularly.
- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.

- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.

- The Chief Executive is the Council's Head of Paid Service and the Head of Legal Services is the Council's Monitoring Officer. Their roles and responsibilities are set out in the Council's Articles of the Constitution.
- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- The Council's Complaints Procedure, which is available on the Council's website and the Independent Complaints Investigator who can investigate how the Council has dealt with its complaints.
- The annual complaints report to Civic Affairs Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- The Council's Performance Review process which is undertaken annually across the Council for all staff.
- The Council's Competency Framework, which is in place for all staff and managers.
- The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- The Media Protocol, which sets out the processes for drafting and clearing news releases and engaging with the media.
- The new Programme Office, which commissions and monitors projects to implement change and transformation.
- The Citizens' Survey, which is undertaken periodically to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- The corporate website, residents' magazine and social media channels, which along with other publications and communications provide for informing and engaging residents and other stakeholders in service delivery and policy formulation.
- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- Internal quarterly performance reporting against key performance indicators for each service prepared for and presented to the strategic leadership team to consider necessary remedial action.

A new Head of Finance post has been created and this post will fulfil the role of the S151 officer when the new post-holder starts in July 2014. Following the departure of the Director of Resources in February 2014, temporary financial management arrangements have been put in place whereby the S151 officer at South Cambridgeshire District Council has been covering the S151 role for the City Council on strategic financial issues, with the interim Head of Finance providing operational financial advice.

CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out some principles regarding the status of the Chief Financial Officer (also referred to as the "section 151 officer".) The statement says:

"Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report , together with how these deliver the same impact."

The staffing structure adopted by the Council in July 2012, and implemented from the beginning of 2014, provides for the new Head of Finance post to be the Chief Financial Officer, reporting to the Director of Business Transformation. Although this is not a director level appointment, and not a direct report to the Chief Executive, organisational arrangements are in place to ensure that the outcomes of the CIPFA governance requirements are met and the Council's auditors were content with the proposals. Whilst line management responsibility will rest with the Director of Business Transformation, the new Head of Finance will be a full member of the Council's Strategic Leadership Team and will report directly to the Chief Executive on financial matters.

Review of Effectiveness

Cambridge City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk register, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee.

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Resources (now the Director of Business Transformation), the Leader of the Council and the relevant Executive Councillor. Executive Summaries of Internal Audit reports are circulated to the Chief Executive and the Council's Monitoring Officer to ensure that they are informed of potential areas of non-compliance with legislation. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into to the Council's Risk Register and progress on their implementation is reported to and monitored by the Chief Executive and the Strategic Leadership Team.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

The Director of Resources was the Authority's Chief Financial Officer and therefore responsible for the proper administration of the authority's financial affairs up until the end of February 2014. A new Head of Finance post has been created and going forward, this post will fulfil the role of the S151 officer when the new post-holder starts in July 2014. During the interim period, between March and July 2014, the S151 officer at South Cambridgeshire District Council has been covering the S151 role for the City Council on strategic financial issues, with the interim Head of Finance providing operational financial advice.

The Council's Civic Affairs Committee is responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement replaces the previous responsibilities of the Council's Standards Committee, which was disbanded in July 2012.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those specifically addressed with new actions planned are outlined below.

Action Plan to Address Significant Governance Issues during 2014-15

	Issue	Action	Target Date	Officer Responsible
1	<p>Budget Setting Arrangements</p> <p>The action plan drawn up in response to Ernst & Young's report on errors identified in the 2012-13 budget setting forecast has been implemented and new budget setting arrangements have been put in place. Internal Audit have worked with the Finance Team to review these new arrangements and have reported that they appear robust and include all stages/requirements to deliver appropriate financial control.</p> <p>However, as the Council has not yet run through a full financial cycle it has not been possible to verify all of these in a 'live' environment.</p>	<p>Action</p> <ul style="list-style-type: none"> Internal Audit to undertake further assurance work during 2014-15, as part of the audit plan, to ensure appropriate evidence is in place for all changes to financial management arrangements. On-going delivery of new budget/financial management arrangements to ensure necessary savings are achieved in future years. 	<p>31 March 2015</p> <p>31 March 2015</p>	<p>Head of Internal Audit</p> <p>Head of Finance</p>
2	<p>Governance Arrangements for New Service Delivery Methods</p> <p>The Council is undergoing significant change in the way it delivers some of its services, including the introduction of shared service arrangements in some areas of Council activity, such as the payroll service and the introduction of the City Deal. There is a risk that the Council's interests may not be protected during and after periods of transition.</p>	<p>Internal Audit to undertake a review of the governance arrangements put in place for new service delivery methods and the City Deal to ensure they are sound and protect the Council's interests.</p>	<p>31 March 2015</p>	<p>Head of Internal Audit</p>

	Issue	Action	Target Date	Officer Responsible
3	<p>Discharge of S151 Responsibilities</p> <p>The discharge of S151 responsibilities was last audited in 2007/08. New arrangements for this have recently been put in place which mean that the authority no longer complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010). It would therefore be timely to review these arrangements to ensure that all S151 duties are being picked up effectively.</p>	<p>Internal Audit to undertake an independent review of the discharge of S151 responsibilities as part of the annual audit plan.</p>	31 March 2015	Head of Internal Audit

4	<p>Information Security</p> <p>Information Security is a key risk to the Council. A great deal of work has already been undertaken over the last year to try and address this issue, including the establishment of the Information Security Officer Group; the organisation of four Data Protection Workshops across the Council to help inform our processes; and the updating of the Data Protection Policy.</p> <p>Further work needs to be done to help raise awareness across the Council amongst all staff and managers.</p>	<p>Further Data Protection training is to be commissioned for managers and key staff across the Council to meet the specific needs/gaps identified through the Data Protection workshops.</p>	31 March 2015	Strategy Officer
5	<p>Counter-Fraud Arrangements</p> <p>In light of the changes arising from Welfare Reform and in compliance with best practice set out in the Audit Commission's report: 'Protecting the Public Purse', it would be timely to conduct an organisational review of the Council's counter-fraud delivery arrangements.</p>	<p>Undertake a corporate review of counter-fraud arrangements, not only in respect of benefit fraud but for all types of fraud.</p>	30 September 2014	Head of Internal Audit and Head of Revenues & Benefits

6	<p>Member Training</p> <p>In light of the recent changes to the make up of the Council's membership, it would be timely to review the provision of training to Members.</p> <p>CIPFA has recently updated its guidance on best practice for Audit Committees. With the recent changes to the membership of the Council's Audit Committee (Civic Affairs) it would again be timely to review compliance with this.</p>	<p>Review the effectiveness of arrangements in place for providing training to new (and existing) Members.</p> <p>Review compliance with CIPFA's best practice guidance on Audit Committees.</p>	31 March 2015	<p>Head of Corporate Strategy</p> <p>Head of Internal Audit</p>
7	<p>Management of Change & Business Transformation</p> <p>In order to take forward an ambitious change and business transformation agenda, new arrangements have been put in place for the management and delivery of projects.</p>	<p>Review the effectiveness of the new programme office arrangements put in place to manage new projects.</p>	31 March 2015	<p>Strategic Leadership Team</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

.....
Councillor Lewis Herbert
Leader of the Council

Date: 2014

.....
Antoinette Jackson
Chief Executive

Date: 2014

Appendix B - Cambridge City Council - Code of Corporate Governance 2014-15

Review Date: June 2014

A Council's Code of Corporate Governance is

“ the system by which local authorities direct and control their functions and relate to their communities”

Guidance from CIPFA and SOLACE suggests each local authority should have a Code of Corporate Governance based on 6 principles:

- 1 Focusing on the purposes of the authority; on outcomes for the community; and creating and implementing a vision for the local area.
2. Members and Officers working together to achieve common purposes with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council adopted a Code of Corporate Governance on 25 April 2002. It has been reviewed annually since then. This is the 2014 review. The Council's Civic Affairs Committee will be asked to consider the revised Code and to recommend it to full Council for adoption.

This Code takes each of the principles of good governance in turn and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance.

The Code will be reviewed annually through the Annual Governance statement process, which will identify the actions to be taken to enhance the code or address any limitations with in it.

Simon Pugh
Head of Legal Services and Monitoring Officer

13 June 2014

1 Focusing on the purpose of the authority; on outcomes for the community; creating and implementing a vision for the local area

		Supporting Evidence
1.1	<p>The Council will have a clear vision for the City and set objectives to guide the Council's activities.</p> <p>It will review those objectives each year, through the Annual Statement agreed at the Annual Council meeting.</p>	<p>Vision</p> <p>Annual Statement</p>
1.2	<p>The Council will work with partners to develop and deliver an operational plan for the Local Enterprise Partnership, (including the Strategic Economic Plan and European Structural & Investment Fund Strategy) and contribute to the agreement of priorities for the Health & Wellbeing Board and other relevant countywide partnerships.</p>	<p>Local Enterprise Partnership Business Plans</p> <p>Health and Wellbeing Strategy</p>
1.3	<p>The Council will have a Mid-Year Financial Review to resource the Council's aspirations and to assess and plan for any financial risks. The strategy will be reviewed annually.</p>	<p>Mid-Year Financial Review</p>
1.4	<p>The Council will put service to the public first. The annual portfolio planning process will be used to agree the priorities for each area of Executive Councillor responsibility. The Plans express the strategic objectives for the portfolio over the financial year 2014/15 and beyond. Beneath each of the objectives are detailed the particular outcomes to be achieved in 2014/15. Finally the plans will include performance</p>	<p>Portfolio Plans</p> <p>Agenda for Scrutiny Committees March 2014/15 cycle</p>

	<p>measures that will provide evidence that the outcomes have been achieved.</p> <p>This information will enable members and the services contributing to the delivery of the plan to be clear about the priorities for the portfolio and will assist in decisions about where resources should be focussed within the portfolio.</p> <p>Heads of individual service areas prepare operational plans indicating how they will meet objectives set in portfolio plans and setting out their priorities and work programmes for the year ahead.</p>	Operational Plans
1.5	<p>Each year the Council will publish an Annual Report and Statement of Accounts giving information on the authority's vision, strategy, performance, future plans and financial statements.</p>	Annual Report and Statement of Accounts
1.6	<p>The Council will seek to provide value for money to local people.</p> <p>It will work to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using other providers where these are the best options.</p> <p>It will have a clear Procurement Strategy designed to meet the Council's wider objectives and Contract Procedures Rules designed to deliver robust and fair procurement processes.</p>	Procurement Strategy

2 Members and Officers working together to achieve common purposes with clearly defined functions and roles

		Supporting Evidence
2.1	<p>The Council will set out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution.</p> <p>The scheme of delegation within the Constitution will make clear what matters are reserved for collective decision-making by full Council.</p>	<p>Constitution Member/Officer Protocol</p>
2.2	<p>A Member/Officer protocol will be used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working.</p>	
2.3	<p>The Council's Chief Executive is its Head of Paid Service responsible and accountable to the authority for its operational management.</p> <p>The Head of Finance is the Council's Chief Financial Officer and S151 Officer, responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<p>Constitution Job Descriptions for the Chief Executive, Head of Finance and Monitoring Officer Schedule on the Role of the Chief Financial Officer</p>

	<p>The Head of Legal Services is the Council's Monitoring Officer, responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p>	
2.4	<p>The Council will ensure that these Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</p>	<p>Portfolio Plans Performance Reviews Professional Qualifications and training Terms of Reference of Civic Affairs Committee</p>
2.5	<p>The Council's Civic Affairs Committee will be responsible for constitutional issues and will ensure that the constitution is monitored and updated when required.</p>	
2.6	<p>The Council will use an Independent Remuneration Panel to give advice on payments for Members and consider their advice when setting the Members' Allowance Scheme.</p> <p>The Panel will operate in an open and transparent manner, making their agendas, reports and minutes available to the public.</p> <p>The Members' Allowance Scheme will also be made available to the public and on the Council's website and the scheme will be reviewed annually.</p>	<p>Independent Remuneration Panel Terms of Reference Independent Remuneration Panel agendas, reports and minutes Members' Allowance Scheme Pay Policy Statement</p>

2.7	<p>When working in partnerships the Council will ensure that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council.</p> <p>It will also ensure that there is clarity about the legal status of each partnership and that all representatives in the partnership have clarity about their powers to bind their own organisation to partnership decisions.</p> <p>The Council will operate in accordance with principles of partnership working agreed with our key partner organisations.</p>	Partnership Terms of Reference Principles of Partnership Working
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3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

		Supporting Evidence
3.1	<p>The Council will expect the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values as expressed in the Council's Mid-Year Financial Review document.</p> <p>The standards of conduct and personal behaviour expected of Members and staff will be set out in the Officer Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol. An up-to-date register of Member and Officer Senior Officer Interests will be maintained.</p>	<p>Constitution Confidential Whistleblowing Policy Annual Complaints Report Prevention of Fraud and Corruption Policy Register of Interests</p>
3.2	<p>The Council has adopted a Code of Conduct for Councillors and has put in place procedures for considering complaints. The Council has appointed two “independent persons” to support this, in accordance with the requirements of the Localism Act, 2011.</p> <p>It will maintain a Whistleblowing policy to enable confidential reporting of suspected breaches of the Officer Code of Conduct or unethical behaviour and will report on how the policy is used through the Annual Review of the Prevention of Fraud and Corruption Policy.</p>	<p>Code of Conduct for Councillors Terms of reference for Independent Persons Annual Complaints Report Whistleblowing Policy</p>

	<p>It will also maintain a Prevention of Fraud and Corruption Policy and both policies will be reviewed regularly by the Civic Affairs Committee.</p> <p>The terms of reference of the Civic Affairs committee includes responsibility for advising on the Council's ethical framework and the promotion of openness, accountability and probity to ensure the highest standards of conduct.</p>	<p>Prevention of Fraud and Corruption Policy</p> <p>Terms of reference for Civic Affairs Committee</p>
3.3	<p>The behaviour expected of staff and managers will be set out in the Council's competency framework and this will be used as the basis for staff performance appraisal.</p>	<p>Competency Framework</p> <p>Grievance and Disciplinary Procedures</p>
3.4	<p>The Council's standing orders and financial regulations will put in place processes designed to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p>	<p>Constitution</p>
3.5	<p>The Council will ensure all partnerships with which it is engaged have a set of values or criteria against which decision-making and actions can be judged. It will work with those partnerships to ensure they are open and accountable and have clear governance structures in place.</p>	<p>Partnership Terms of Reference</p> <p>Principles of Partnership Working</p>

4. Taking informed and transparent decisions which are subject to effective scrutiny and risk management.

		Supporting Evidence
4.1	<p>The Council will operate within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the City and its residents.</p>	<p>Core Competencies for managers Managers' Job Descriptions Role of Monitoring Officer</p>
4.2	<p>The Council will hold its meetings, and those of its committees and working groups, in public unless there are good reasons for confidentiality. The public will be allowed to ask questions at all Council and committee meetings.</p>	<p>Committee Agendas Constitution Committee Forward Plan</p>
4.3	<p>The Council will make sure members of the public have access to information about the workings of the Council. It will make clear what information is routinely published through its Freedom of Information Publication scheme and will respond promptly to requests for information. The Council will publish on its website all responses to Freedom of Information requests.</p>	<p>Publication Scheme Freedom of Information requests monitoring reports Council Website Open data</p>

4.4	<p>The Council will respect the personal data of its citizens, employees, suppliers and others the Council may communicate with in line with the principles of the Data Protection legislation and will make this clear in its own Data Protection Policy. The Council will respect the privacy of members of the public when carrying out investigations and will ensure that privacy is only interfered with when the law permits and there is clear public interest justification.</p>	<p>Data Protection Policy Regulation of Investigatory Powers Act 2000 – Procedure guidance Information Security Group Serious Information Risk Officer</p>
4.5	<p>The Council will record the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and make agenda papers and minutes available on the Council’s website. The Council will also record and publish on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</p>	<p>Agendas and Minutes of Committees Council website</p>
4.6	<p>Officers will use standard report templates for committee and executive reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports will make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.</p>	<p>Standard committee report templates</p>

4.7	<p>The Council will actively consider the environmental impact of the Council's decisions before those decisions are made.</p>	<p>Climate Change Rating Tool for Council Policies Plans and Projects Climate Change Strategy Carbon Management Plan Committee reports Budget Setting Report</p>
4.8	<p>The Council will develop and maintain an effective Scrutiny process to encourage constructive challenge and enhance the Council's performance. It will also have clear protocols about Members' access to information and officer advice to enable them to perform their roles.</p>	<p>Terms of Reference of Scrutiny Committees Protocol</p>
4.9	<p>The Council will have a network of Area Committees to ensure neighbourhood issues are considered in the Council's decision-making processes.</p>	<p>Area Committee terms of reference</p>
4.10	<p>The Council will have a Joint Development Control Committee with the County Council and South Cambridgeshire District Council for decisions affecting growth sites bordering the City and South Cambridgeshire.</p>	<p>Terms of reference of Joint Development Control Committee</p>

4.11	<p>The Council will have a clear and publicised complaints system, including the appointment of an independent complaints investigator, so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed.</p> <p>It will publish an Annual Complaints report analysing trends in complaints against the Council and what has been done to address them.</p>	<p>Complaints leaflet On-line complaints form Annual Complaints report</p>
4.12	<p>The Council's Civic Affairs Committee will fulfil the core functions of an Audit Committee.</p>	<p>Terms of Reference of the Committee</p>
4.13	<p>The Council will maintain an independent Internal Audit function, with a risk-based annual audit plan, designed to test regularly that the Council's policies and processes operate in practice and that the Council complies with legislation and good practice.</p> <p>The Head of Internal Audit will produce an annual opinion on the Council's internal control environment to meet the requirements of the Code of Practice for Internal Audit in Local Government in the UK, 2006. The Head of Internal Audit Opinion will be used to inform an Annual Governance Statement and this will be signed off by the Chief Executive and Leader of the Council.</p>	<p>Annual Audit Plan Head of Internal Audit Opinion Annual Governance Statement</p>

4.14	<p>The Council will also agree an annual work plan with its External Auditors to test the Council's response to major legislation and the soundness of its financial and governance processes. Recommendations arising from internal and external audit and inspection processes will be used to inform future decision-making.</p>	<p>Terms of Reference of Civic Affairs Committee Risk Register Annual Audit letter</p>
4.15	<p>The Council will ensure that risk management is embedded into the culture of the authority, with managers at all levels recognising that risk management is part of their job. It will have a Risk Management Strategy, supplemented by procedures and guidance.</p>	<p>Risk Management Strategy Procedures and guidance on the Council's Intranet</p>
4.16	<p>The Council will undertake systematic risk assessments in all areas of Council activity, including those covered by Health and Safety legislation. It will maintain a corporate risk register detailing the Council's strategic and service risks and review this regularly.</p>	<p>Risk Assessments Risk Register</p>
4.17	<p>The Council will ensure that risk assessment is incorporated into the Council's decision making and Members are advised of the Council's risk profile at key stages.</p>	<p>Risk Management Strategy and Guidance</p>

5. Developing the capacity and capability of Members and Officers to be effective

		Supporting Evidence
5.1	The Council will seek to maintain its Investors in People accreditation.	IIP Accreditation
5.2	The Council's People Strategy will set out how the Council will recruit, reward and develop its staff to reach their full potential. Staff joining the Council will be offered an induction programme and their training and development needs will be reviewed regularly through the Council's annual performance review process, which applies to all staff.	People Strategy Council Induction Programme Performance Review process
5.3	The Council will have up-to-date job descriptions. It will set and monitor clear objectives for Officers through the annual performance review process. It will agree appropriate remuneration for officers based on an agreed framework of national and local agreements which include job evaluation.	Job Descriptions Performance Review process Competency Framework

5.4	<p>The Council will offer all new Members an induction programme and the opportunity to develop, with the Member Training Champions, a tailored personal development plan to meet their needs. The Council will also provide resources for training, attending conferences/seminars and briefings in-house for all elected Members. It will keep a register of the training received by Members and will involve the Member Training Champions in reviewing training needs and the resources available during the year.</p>	Member Induction Programme
5.5	<p>The Council will encourage and facilitate Members to have appropriate training or briefing before performing certain roles (e.g. dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).</p>	
5.6	<p>The Council will seek expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services.</p>	
5.7	<p>The Council will seek to encourage engagement in its work through a variety of means including through area committees, public representatives on the Equalities Panel, Tenant Representatives on the Housing Scrutiny Committee and involvement of appointed “Independent Persons” in the work of the Civic Affairs Committee.</p> <p>It will also put resources into outreach work through its community development services and support to tenant and leaseholder representatives.</p>	<p>Membership and Terms of Reference of these bodies</p> <p>Public Questions and petitions</p>

6 Engaging with local people and other stakeholders to ensure robust public accountability

		Supporting Evidence
6.1	<p>The Council will ensure that the authority as a whole is open and accessible to the community, service users and its staff.</p> <p>It will promote the role of Councillors and make the public know who the Councillors are, what roles they have on the Council and how to contact them.</p> <p>It will treat everyone fairly and strive to treat all as rational people able to make up their own minds.</p> <p>It will also strive to provide services on the basis of need rather than ability to pay.</p>	<p>Citizen Survey results</p> <p>Public Question Time and Petition procedures</p> <p>Council Website</p> <p>Cambridge Matters</p> <p>Annual Statement</p> <p>Charging policies for services</p>
6.2	<p>The Council will make clear through its website and other Council publications the services that it is responsible for, how people can contact the Council and the service standards they can expect.</p>	<p>Council website</p> <p>Council Tax Leaflet</p> <p>Annual Report</p> <p>Open Door</p> <p>Cambridge Matters</p>
6.3	<p>The Council will undertake surveys of residents to ensure that it has up to date information about their priorities and levels of satisfaction with the Council and its services.</p>	<p>Citizens Surveys</p>

6.4	<p>The Council's consultation programme will ensure that the Council proactively seeks the views of a wide range of people and engages with all sections of the community effectively.</p> <p>This will be achieved through a mix of corporate consultation initiatives with more targeted consultation on service specific issues led by relevant departments.</p>	<p>Consultation reports Statement of Community Involvement Code of Best Practice on Consultation and Community Engagement</p>
6.5	<p>The Council will seek to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints.</p> <p>The Council will ensure it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining why it has made the decisions it has.</p>	<p>Consultation pages on website Council Publications Code of Best Practice on Consultation and Community Engagement</p>
6.6	<p>The Council will undertake Equality Impact Assessments of all major Council decisions and take action to implement changes required, to ensure that council services and policies consider the diverse needs of its service users and citizens.</p> <p>It has a Single Equalities Scheme covering race, disability, gender age, sexual orientation and religion or belief and an Action Plan will be reviewed annually.</p> <p>It will also use "Mapping Poverty" research data, or other relevant data, to inform decisions about relative deprivation in the City.</p>	<p>Examples of Equality Impact Assessments Annual Review of Equalities Single Equality Scheme Comprehensive Equalities Action Plan Mapping Poverty report</p>

6.7	<p>The Council's Equalities Panel (which has staff, member and public representatives) will help the Council evaluate its success in promoting diversity and meeting a broad range of needs.</p>	Terms of Reference and agendas of meetings
6.8	<p>The Council will enter into compacts with Tenants and the Voluntary Sector agreeing ways of working with these two stakeholder groups. The Compacts will be reviewed on a regular basis.</p>	Compact documents
6.9	<p>The Council will set out in its collective agreements, employment policies and procedures, and terms of reference for forums and meetings involving trade unions, and how it will consult with staff and Trade Unions.</p>	<p>Collective Agreements Employment policies and procedures Trade Union Facilities Agreement</p>
6.10	<p>Members will meet with the Trade Unions in a Joint Staff/ Employer Forum. Each council department will have departmental staff forums and there will be a monthly Joint Trade Unions Group meeting.</p>	<p>Joints Staff /Employer Forum Terms of Reference and Agendas/Joint Trade Unions Group Agendas and Minutes Trade Union Facilities Agreement</p>

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

25/6/2014

WARDS: None directly affected

ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

1 INTRODUCTION

- 1.1. The Audit and Accounts Regulations govern the preparation, approval and publication of local authority accounts. There is a requirement for the Council's Chief Financial (Section 151) Officer to approve draft accounts by the 30 June in each year and for the audited accounts to be approved by resolution of a committee of the Council (or the full Council) by 30 September. Under the Council's Constitution, this responsibility rests with the Civic Affairs Committee.
- 1.2. Although the Civic Affairs Committee are not required to formally approve the draft accounts by 30 June the Committee has previously agreed that the accounts should be presented for review at this stage and that the accounting policies and treatments applied in their preparation are approved.
- 1.3. Changes to the accounts, as a consequence of new or amended guidance on local authority accounting, are highlighted in this report.
- 1.4. Significant items of note in the 2013/14 accounts are also highlighted together with explanations of the differences in presentation between final outturn reporting to Scrutiny Committees (based on service portfolios) and the formal statement of accounts.

<p>In light of the scope and content of the draft accounts, if members require detailed answers to specific questions it is requested wherever possible that these are notified to the Head of Finance 2 working days prior to the meeting so that a full answer can be given.</p>
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2. RECOMMENDATIONS

- 2.1 That the contents of the draft Statement of Accounts presented at Appendix 1 are noted and that the accounting policies and treatments on which they are prepared are approved.

3. BACKGROUND

- 3.1 The Civic Affairs Committee has responsibility for corporate governance issues including audit and regulatory financial matters. The CIPFA Publication *Audit Committees: Practical Guidance for Local Authorities* states that the review of the financial statements should focus on:

- The suitability of accounting policies and treatments
- Any changes in accounting policies and treatments
- Major judgemental areas

- 3.2 In addition the Committee should consider any significant adjustments and material weaknesses in internal control reported by the external auditor after completion of the audit.

- 3.3 The annual accounts of local authorities are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and on other relevant guidance relating to accounting and reporting standards. The Code, based on International Financial Reporting Standards (IFRS), is highly prescriptive both in terms of the main financial statements and the notes that must accompany them.

- 3.4 The requirements and timetable to prepare, audit and publish the accounts are governed by the Accounts and Audit Regulations issued under powers contained in the Local Government Finance Act 1982. The Accounts and Audit Regulations 2011 require the accounts to be approved by the Chief Financial Officer by 30 June, and approved by a committee of the Council (or the full Council) and published by 30 September.

- 3.5 The timetable for production of the Council's draft accounts was achieved once again this year. The production of accounts under IFRS remains a complex task and one that requires significantly greater resource than previously. This additional workload can only

be met within existing resources by staff working additional hours. In addition, the deadline for the Whole of Government Accounts return, which is the return that the Council must complete based on the draft accounts to allow consolidation of the Council's accounts with other public bodies, has been bought forward by a month to 30 June.

- 3.6 A brief Annual Report, outlining the Council's services and summarising the Council's performance in 2013/14 is being presented alongside the Statement of Accounts. The Annual Report pages presented here are the latest draft and may be further refined prior to publication in September 2014.

4 AUDIT OF THE ACCOUNTS AND REPORTING ARRANGEMENTS

- 4.1 The 2013/14 audit of accounts will be undertaken by Ernst & Young.
- 4.2 Officers have had a number of meetings with the external audit team to agree the accounting approach to a number of the key accounting issues this year.
- 4.3 Auditing standards (International Auditing Standard 240) require external audit to update their knowledge of management processes and arrangements, and how Civic Affairs (as those charged with governance) gain assurance from management on these matters. Ernst & Young wrote to the Council's Section 151 officer and the Chair of Civic Affairs in February. The responses are attached at Appendix 2.
- 4.4 The audit of the accounts is due to commence on 11 August. Should any changes to draft accounts be required at the conclusion of external audit's work, these will be incorporated into the final version presented for approval and publication in September 2014.
- 4.5 In addition to the responses already given, auditors are expected, under professional auditing standards, to seek a Letter of Representation from those charged with corporate governance. This letter is normally signed by the Section 151 Officer and the Chair of Civic Affairs. The auditors will rely on that letter, as well as the audit work carried out when issuing their audit certificate. The wording of the letter for the 2013/14 Statement of Accounts has not yet been agreed with the auditors, but it is expected to include assurances that:
- All accounting records and other related information has been made available for the purposes of the audit and that all

transactions have been properly reflected and recorded in the accounting records;

- There are no instances of known irregularities that have not been disclosed to the auditors;
- There are no instances of fraud, suspected fraud or allegations of fraud that could have a material effect on the financial statements that have not been disclosed to the auditors;
- There are no instances of non-compliance with laws or regulations and codes of practice, which would have a material effect on the finances or operations of the Council;
- The Council has complied with all aspects of contractual arrangements and with requirements of regulatory authorities where non-compliance could have a material effect on the financial statements;
- There are no material transactions with related parties, other than those which have been disclosed in the accounts;
- There are no significant events after the financial year end, which would require an adjustment to or disclosure in the accounts.

These assurances can be given.

- 4.6 It is anticipated that the audit of the accounts will be concluded in September. At the meeting of Civic Affairs scheduled for 17 September 2014, members will receive a formal report of the Audit opinion, known as the ISA 260 report. Members will then be asked to approve the Statement of Accounts. It is intended that the final Letter of Representation will also be signed at that meeting and then the Audit Opinion can be signed and issued in advance of the 30 September statutory deadline for publication.
- 4.7 The accounts and certain other related documents will be available for inspection by members of the public for a period of 20 working days starting on 14 August 2014. Notice of the dates and times of availability will be published in the Cambridge News and on the Council's website. In addition, electors (or their representatives) have the right to question the auditors about the accounts and to make certain objections in relation to unlawful items of account, failure to bring a sum into account or a loss or deficiency caused by wilful misconduct. The date set for exercise of these rights is 12 September 2014.
- 4.8 The draft accounts are scheduled to be formally approved for issue by the Council's Section 151 officer after this meeting. These draft accounts will also be made available on the Council's website,

appropriately noted as being subject to audit. Once audited, the final Annual Report and Statement of Accounts, including the audit opinion will also be published.

5 PRESENTATION OF THE ACCOUNTS

5.1 The presentation of the statement of accounts is quite different to the financial reports presented to members as part of the budgetary control cycle, as the statutory accounts must be presented in line with regulation and accounting standards.

5.2 The main statutory financial statements and notes of significance are summarised below:

- The Movement in Reserves Statement (page 11) allows members to compare the actual surplus or deficit on the General Fund, and the separate ring-fenced Housing Revenue Account, with the budget.
- Total comprehensive income and expenditure as presented in the Movement in Reserves Statement is taken from the Comprehensive Income and Expenditure Statement (CIES). The analysis of service income and expenditure leading to the 'Cost of Services' totals is presented in line with CIPFA's Service Reporting Code of Practice (SERCOP).
- Items presented between 'Cost of Services' and the 'Surplus or deficit on the provision of services' include payments to the housing receipts capital pool, the surplus or deficit on disposal of assets, income, expenditure and movements in the value of the Council's investment properties and Council Tax and non-specific government grant income. Other comprehensive income and expenditure includes the movements in the revaluation reserve and the remeasurement gains and losses on the pension scheme as assessed by the scheme actuary.
- Reserves, both General Fund and Housing Revenue Account, are an indication of the resources available to the Council to deliver services in the future. Information on the level of reserves can be found in the Balance Sheet and related notes and in the Movement in Reserves Statement and related notes.
- The Balance Sheet is presented on page 14 of the statement of accounts. The bottom half of the balance sheet summarises the Council's reserves. Not all reserves can be used to deliver

services and The Code reflects this by reporting reserves in two groups – ‘usable’ and ‘unusable’. Usable reserves such as the General Fund Reserve and earmarked reserves are those where members will be involved in deciding on the levels maintained and their use. Unusable reserves are not available to use to provide services. These reserves include those reserves that hold unrealised gains and losses (eg the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences (eg the Capital Adjustment Account) shown in the Movement in Reserves statement line ‘Adjustments between accounting basis and funding basis under regulations.’

- The accounts include a segmental reporting note (note 9). The note is based on the Council’s own service management structures and reconciles the total performance reported to members, analysed by portfolio, at outturn to the results presented in the statement of accounts.
- The note highlights the total of transactions reflected in the CIES which are not reported to members as part of outturn. These transactions are those entries charged or credited to usable and unusable reserves and which therefore do not impact on the Council’s General Fund or Housing Revenue Account (HRA) reserves (and hence the level of Council Tax or rents).

Examples include:

Transaction	Financed By	Usable / Unusable reserve
Payments to the Housing Receipts Capital pool	Capital Receipts Reserve	Usable
Movements in the value of investment properties	Capital Adjustment Account	Unusable
Movements in the value of property, plant and equipment not covered by previously accumulated gains held for that asset in the Revaluation Reserve	Capital Adjustment Account	Unusable
Revenue Expenditure Funded from Capital Under Statute (eg capital grants to outside bodies)	Capital Adjustment Account	Unusable
Adjustments reflecting the	Pensions	Unusable

Transaction	Financed By	Usable / Unusable reserve
difference between pension contributions paid in the year and the cost of providing pensions as estimated by the Actuary	Reserve	

Members are updated on the level of usable reserves, such as the Capital Receipts Reserve and earmarked reserves, as part of the mid-year financial review (MFR) and decisions on their use are made as part of the budget-setting process.

6 FINANCIAL RESULTS FOR 2013/14

- 6.1 The Council's financial performance is summarised in the main financial statements.
- 6.2 The Movement in Reserves Statement (Page 11 of the statement of accounts) shows an overall increase in the Council's usable reserves of £19.8 million to £79.9 million.
- 6.3 There were net increases of £4.4 million in respect of the Capital Receipts Reserve and of £6.9 million in the Capital Grants Unapplied Reserve, both of which can only be used to support capital expenditure. The movement in the capital grants unapplied account reflects the £7.8 million Green Deal grant discussed in Section 8 below.
- 6.4 General Fund unallocated reserves increased by £1.2 million to £9.2 million. General Fund earmarked reserves increased by £3.7 million to £23.9 million. £3.2 million of this increase relates to the non-domestic rates retention scheme discussed in section 7.
- 6.5 HRA reserves increased by £3.4 million to £8.9 million. HRA earmarked reserves increased by £0.5 million to £4.3 million.
- 6.6 A more detailed analysis of the movement on both HRA and General Fund earmarked reserves is shown in note 5 (page 27 of the statement of accounts).
- 6.7 The Comprehensive Income and Expenditure Statement (Page 13 of the statement of accounts) shows a net surplus on the provision of services (measured according to proper accounting practice) of £19.8 million, compared to a net deficit of £5.2 million last year. HRA gross

expenditure includes net credits of £6.7 million in respect of the reversal of revaluation losses on HRA properties previously debited to the income and expenditure account. Comparatively, in 2012/13, £4.0 million of revaluation losses were charged to the HRA. Taxation and non-specific grant income in 2013/14 includes capital grants of £7.8 million in respect of the Green Deal and £1.7 million in respect of the improvement works at Parkside Pools and Abbey Pools which were funded by Greenwich Leisure. These are discussed further in section 8.

- 6.8 The Balance Sheet shows that the Council's overall net assets at 31 March 2014 were £48.3 million higher than at 31 March 2013, at £533.5 million. There were significant increases in the value of long term assets held (£34.6 million), long term and short term investments (£15.6 million) and debtors (£13.8 million).

7 CHANGES IN ACCOUNTING POLICY AND TREATMENT

Business rates retention scheme

- 7.1 2013/14 saw the introduction of a business rates retention scheme. Under the scheme business rates income is shared 50% by central government, 40% by the City Council, 9% by the County Council and 1% by the Fire Authority. The Council is still responsible for the billing and collection of non-domestic rates with the monies being accounted for in the Collection Fund, before transfer in the appropriate proportions to the Council's own General Fund and the other government bodies.
- 7.2 The new arrangements also enable local authorities and fire and rescue authorities, collectively, to benefit directly from supporting local business growth as they will be able to keep half of any increases in business rates revenue above the baseline funding level calculated by central government.
- 7.3 Government has made an initial baseline funding level calculation for each authority, with the level of business rates receivable above that being taken by Government as a 'tariff' – which will be used to 'top-up' local authorities who would receive less than their funding level. Government intends that this will be fixed for 7 years (i.e. until 2020). Under this assessment the Council paid central government a tariff of £32.3 million in 2013/14 which is netted off the Council's share of business rates income shown in taxation and non-specific grant income.

- 7.4 Where business rates income exceeds that assumed in the baseline funding assessment the Council can keep 50% of its share of this increase, paying the other 50% as a 'levy' to central government.
- 7.5 Where business rates income falls by more than 7.5% of that assumed in the baseline, the Council receives a safety net payment.
- 7.6 The risk of reductions in business rates income due to rating valuation appeals now falls on the Council, in proportion to its share of business rates income. The Council is required to estimate for the City area a provision for the likely reduction in income due to successful appeals. In 2013/14 this provision must reflect the total estimated reduction in income for 2013/14 and any earlier periods.
- 7.7 The total provision for appeals for the area has been estimated at £7.6 million. The Council's share of the provision is £3.0 million and is shown in Note 32 to the accounts.
- 7.8 The appeals provision is based on data from the Valuation Office Agency (VOA) about outstanding appeals and the average reductions in rateable value from settled appeals. Broadly the average reduction is 5% for the 2010 rating list and this has been used to estimate an appropriate provision. Where there is specific evidence about appeals on large premises being settled at much higher reductions, the provision has been based on this evidence.
- 7.9 There has been some debate nationally amongst practitioners and auditors in respect of the appropriate basis for business rates appeals provisions. Officers have already spoken to Ernst & Young's technical team on this issue and believe that the approach taken is consistent with their viewpoint. However, officers understand that the Audit Commission intends to consult with audit firms to ensure that provisions have been calculated on a consistent basis nationally. This is therefore an area where further guidance may emerge as external audits commence and before the statutory deadline for council accounts to be audited at the end of September.
- 7.10 Members of Civic Affairs are asked to approve the current approach taken by officers.
- 7.11 Under statutory regulation the share of business rates income to be credited to the General Fund in 2013/14 was based on the estimate made in January 2013 of £37.3 million. As a result of a much larger appeals provision than was predicted at this stage, the actual business rates income due to the Council for 2013/14 is £34.1

million. The resulting deficit of £3.2 million will be payable by the Council back to the Collection Fund in 2014/15.

- 7.12 In February 2014 the Council approved creation of an earmarked reserve to manage the accounting for business rates retention and shares of surpluses and deficits. Therefore a contribution of £3.2 million has been made to the earmarked reserve in 2013/14 to fund the deficit payment in 2014/15.
- 7.13 The level of business rates income due to the Council for 2013/14 put it into a 'safety net' position and the Council has therefore reflected a debtor with central government of £1.4 million.
- 7.14 To some extent the position in respect of appeals in 2013/14 is exceptional, due to the need to create a provision for appeals for years prior to 2013/14. No provision existed under the old accounting regime as effectively business rates collection was accounted for on a cash basis. Now that the backdated appeals provision has been established, the movement in provision in future years should be based on the current year only plus any changes to the prior year provision.

Accounting for Pensions

- 7.15 The 2013/14 Code has introduced some changes in accounting for pensions as a result of amendments made to International Accounting Standard (IAS) 19 on Employee Benefits.
- 7.16 The standard renames the actuarial gains and losses included in other comprehensive income as 'remeasurements' and a net interest expense is recognised in the Income and Expenditure Statement as a financing cost. The interest expense is calculated by applying the discount rate to the net defined benefit asset or liability. This value replaces the finance charge and expected return on plan assets, where income is credited with the expected long-term yield on the assets in the fund.
- 7.17 These changes have no impact on the overall pension liability or the charges borne by the Council for pensions. The 2012/13 comparative figures have been restated, resulting in a net increase of £1.0 million in net interest and a corresponding reduction in other comprehensive income and expenditure in the CIES.
- 7.18 The Code has also introduced revised disclosures for pensions. These include more detail on the breakdown of the pension scheme assets as detailed in Note 39 on page 68 of the accounts.

8 OTHER SIGNIFICANT ITEMS OF NOTE IN THE 2013/14 ACCOUNTS

Icelandic Bank Deposits

- 8.1 The CIES reflects a reduction of £529,000 in the impairment on the Council's deposits in LBI hf (the previously named Landsbanki Islands hf) and Heritable Bank Plc. The Council has reviewed these impairments in line with the latest available information. The accounts reflect expected recoveries of 96.5% of claims in Heritable and 100% of claims in respect of LBI. The reduction in impairments results from an increase in the expected recovery percentage in respect of Heritable from 88% to 96.5% and the likelihood of the recovery of monies in LBI being over a shorter time period than previously expected.
- 8.2 The Council received £0.7 million from the administrators of Heritable during 2013/14 and £0.3 million in respect of LBI. The estimated recoverable amounts for Heritable and LBI are reflected in long term and short term investments shown in the balance sheet, as outlined in Note 25 to the accounts.

Green Deal Grant

- 8.3 During March 2014 Cambridge City Council was awarded £7.8 million of Green Deal Communities funding by the Department of Energy and Climate Change (DECC) to help residents install insulation improvements to older and non-standard properties in the owner occupied and rental sectors.
- 8.4 The City Council is leading on a consortium on behalf of Cambridgeshire County Council, East Cambridgeshire District Council, Fenland District Council, Huntingdonshire District Council and South Cambridgeshire District Council. The funding will provide grants to householders to significantly reduce the cost of insulating solid wall, steel framed properties and park homes. The scheme will be delivered by local councils working in partnership with community partners and Green Deal providers to promote the scheme through a street by street process in targeted areas. The areas identified will focus on the private rented sector, off gas households and conservation areas across Cambridgeshire.
- 8.5 Although the grant was not received until April 2014 and is intended for use during 2014/15, officers have agreed with Ernst & Young that the Code's requirements for recognition of the grant as a capital

contribution in 2013/14 have been met. It has also been agreed that the Council will account for the entire grant in its accounts as the grant agreement, and the conditions contained within it, are with the Council, rather than the consortium partners as a whole. The Council is deemed to be acting as a principal rather than an agent.

- 8.6 The £7.8 million is included in taxation and non-specific grant income in the CIES and a corresponding debtor on the Council's balance sheet. As the grant remained unspent as at 31 March it is transferred in the Movement in Reserves Statement to be held as a capital grant unapplied.

Greenwich Leisure Capital Works at Parkside and Abbey Pools

- 8.7 Greenwich Leisure took over the running of the Council's leisure facilities in September 2013. Under the terms of the new contract Greenwich Leisure are making a number of enhancements to the Council's buildings, notably at Abbey and Parkside Pools. These enhanced facilities became operational in April 2014.
- 8.8 Following discussions with external audit on the most appropriate accounting treatment for this arrangement, these enhancements to Council buildings have been treated as donated assets. As the new areas were not operational as at 31 March, £1.7 million has been recognised in assets in the course of construction. A corresponding capital donation of £1.7 million has been recognised in taxation and non-specific grant income in the CIES and applied in the Movement in Reserves statement to fund the capital assets.

9 IMPLICATIONS

- (a) **Financial Implications** Included in the report above.
- (b) **Staffing Implications** None
- (c) **Equality & Poverty Implications** None
- (d) **Environmental Implications** None
- (e) **Procurement** None
- (f) **Consultation and communication**

As detailed in the report the draft accounts will be published on the Council's website. The Notice of Public Rights will be published in the Cambridge News and on the website.

(g) **Community Safety**

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

Draft Statement of Accounts 2013/14

To inspect these documents contact Charity Main on extension 8152.

The author of this report is Charity Main. The contact officers for queries on the report are Charity Main on extension 8152 or David Walton on extension 8134.

Report file: O:\accounts\Committee Reports & Papers\Civic Affairs\June 2014\Statement of Accounts Report to Civic Affairs June 2014.docx

Date originated: 16 June 2014

Date of last revision: 16 June 2014

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**ANNUAL REPORT AND
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDING
31 MARCH 2014**

DRAFT FOR EXTERNAL AUDIT

This document is available on our website at www.cambridge.gov.uk

Cambridge City Council
Annual Report & Statement of Accounts
2013/14

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Annual Report 2013/14

Cambridge City Council continues to provide a wide range of services to people that live in, work in and visit Cambridge.

The services provided by the City Council include:

- ◆ Keeping the streets and public open spaces clean.
- ◆ Emptying refuse and recycling bins.
- ◆ Providing a range of leisure facilities, including swimming pools and community centres, and providing entertainment in the City's parks and at the Corn Exchange.
- ◆ Awarding a wide range of grants to support local organisations and community groups.
- ◆ Providing a wide range of play activities for children and young people.
- ◆ Developing a new local plan for Cambridge to guide development to 2031. Offering planning advice, progressing planning applications and making sure that new buildings and alterations are safe.
- ◆ Providing housing advice and support, and working with partners to meet peoples' housing needs.
- ◆ Acting as landlord to over 7,000 council-owned properties.
- ◆ Processing housing benefit and council tax support applications.
- ◆ Monitoring and enforcing food and drink hygiene standards, together with noise and air pollution.
- ◆ Licensing food premises, street traders and entertainment venues.
- ◆ Addressing anti-social behaviour, in partnership with the Police and other agencies.
- ◆ Managing council run car parks.
- ◆ Organising and managing elections and the electoral register.
- ◆ Council tax and business rate administration.

The City Council serves a population of about 125,500 residents in an almost entirely urban area in an otherwise mainly rural county. Cambridge is a sub-regional centre with high levels of inward travel to work and for shopping and leisure activities, which adds significantly to the day-time population. The Council provides many services that are used by people who live outside of the city as well as residents, which places additional pressure on our resources.

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The city is at the centre of a housing growth region, with many new homes planned for sites on the southern and north-west fringes of Cambridge. The provision of good quality affordable and sustainable housing is a priority for the Council and it has set a target for developers of 40% affordable housing to be provided on all new residential sites, including the larger growth sites.

What we want to achieve

Cambridge City Council's vision guides everything we do. For 2013/14 our vision statement, which is shared with Cambridge citizens and partner organisations, was:

Vision Statement

Cambridge - where people matter

- ◆ A city which celebrates its diversity, unites in its priority for the disadvantaged and strives for shared community wellbeing
- ◆ A city whose citizens feel they can influence public decision making and are equally keen to pursue individual and community initiatives
- ◆ A city where people behave with consideration for others and where harm and nuisance are confronted wherever possible without constraining the lives of all

Cambridge - a good place to live, learn and work

- ◆ A city which recognises and meets needs for housing of all kinds – close to jobs and neighbourhood facilities
- ◆ A city which draws inspiration from its iconic historic centre and achieves a sense of place in all of its parts with generous urban open spaces and well- designed buildings
- ◆ A city with a thriving local economy that benefits the whole community and builds on its global pre-eminence in learning and discovery
- ◆ A city where getting around is primarily by public transport, bike and on foot

Cambridge - caring for the planet

- ◆ A city in the forefront of low carbon living and minimising its impact on the environment from waste and pollution.

How we will achieve our vision for Cambridge

Portfolio Plans

The Executive is made up of the Leader of the Council and six Executive Councillors. Each Executive Councillor is responsible for a specific group of services, known as a portfolio, and they can make decisions about the services they are responsible for. The 2013/14 Portfolios were:

- Community Wellbeing
- Customer Services and Resources
- Environmental and Waste Services
- Housing
- Planning and Climate Change
- Public Places
- Strategy

Each Executive Councillor has a Portfolio Plan that sets out how the services they are responsible for will contribute to the achievement of the council's vision for Cambridge. The following pages outline what we achieved over the past year as a result of our 2013/14 Portfolio Plans.

Further information about the Council's performance and its priorities for 2014/15 can be found on our website at: <https://www.cambridge.gov.uk/portfolio-plans>

Community Wellbeing

During 2013/14 we:

- ◆ Carried out essential improvements to the Corn Exchange and Guildhall Halls and improved their marketing as part of the first year of a three year business plan to increase revenue from the number and type of events held.
- ◆ Awarded a new seven year leisure management contract.
- ◆ Organised activities with partners to celebrate the 150th Anniversary of the Football Association and 400th Anniversary of Parkers Piece during the Big Weekend.
- ◆ Developed the role of the Cambridge Arts Network to better coordinate and promote the city's arts and culture offer and improve opportunity for networking and support amongst arts providers and practitioners.
- ◆ Produced a new three-year plan for Sport & Physical Activity.
- ◆ Planned and coordinated multi-agency arrangements for the Tour de France: Grand Depart third leg start from Cambridge to London.
- ◆ Delivered the first year of our plan for our Children and Young People's Participation Service (ChYpPS) and delivered our income target for the service.
- ◆ Delivered our plan for the future management of the Council's community facilities and achieved our savings target for the year. Continued to promote and manage a grants programme that supports the city's community and voluntary sector.

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- ◆ Strengthened our community engagement work across the southern fringe growth sites and started to establish new community engagement structures across the north-west Cambridge growth sites.
- ◆ Involved stakeholders and residents in the design and future management arrangements for new community facilities at Clay Farm, the University site and NIAB1 and participated actively with partners to open new facilities at Trumpington Meadows.
- ◆ Supported plans for ultra-fast broadband coverage within the city area, as a part of the “Connecting Cambridgeshire” initiative.

Customer Services and Resources Portfolio Plan

During 2013/14 we:

- ◆ Completed upgrades to 1,000 desktops in the Council, transitioned to a new ICT support provider and joined a county wide private network, enabling sharing and cost savings.
- ◆ Explored further opportunities to work in collaboration, or share services with other public sector organisations, in order to create efficiencies or improve our resilience.
- ◆ Enabled more staff to work more flexibly and efficiently, by providing appropriate support in terms of buildings, technology and working practices.
- ◆ Sought to maximise the commercial return from the development of growth sites on the southern and north-eastern fringes of the city, subject to the Council’s other objectives for these developments.
- ◆ Made preparations to improve electoral registration rates in the Cambridge City electoral area and for the implementation of Individual Electoral Registration.
- ◆ Implemented our Local Council Tax scheme as part of the government’s welfare reforms, ensuring that the most vulnerable in the city are supported.
- ◆ Supported individuals affected by welfare reforms.
- ◆ Prepared the Council’s own systems and liaised with partners, such as the Department of Work and Pensions, for the future implementation of welfare reforms.

Environment and Waste Portfolio Plan

During 2013/14 we:

- ◆ Put in place a programme of activities that increased the proportion of waste that is recycled in the city and installed additional recycling banks for textiles and small WEEE (waste, electrical and electronic equipment).
- ◆ Offered businesses incentives to use our recycling services to increase the proportion of commercial waste recycled.
- ◆ Set up a new commercial food waste collection service.

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- ◆ Tendered for a county wide specification for a joint materials recycling facility contract.
- ◆ Delivered a programme of joint projects with partners in the RECAP Advanced Waste Partnership and targeted secondary schools on a waste prevention campaign.
- ◆ Reviewed cross-border refuse and recycling collection arrangements with South Cambridgeshire District Council to meet the needs of our new developments that straddle boundaries.
- ◆ Completed the “Cambridge Real Emissions” project with our partners to provide detailed evidence of air quality impacts of city centre transport options.
- ◆ Installed in-cab technology to our refuse trucks to improve services to our customers.

Housing Portfolio Plan

During 2013/14 we:

- ◆ Worked with developers, registered providers (housing associations) and planners to increase the city’s social and market housing stock. Over 300 new Affordable Housing dwellings were completed.
- ◆ Completed the redevelopment of Seymour Court to include the provision of 20 new homes for older people.
- ◆ Ensured that the current standard of building by registered providers is maintained in terms of size, construction and layout to at least level four of the Code for Sustainable Homes.
- ◆ Assessed the potential for the provision of additional gypsy and traveller sites as part of the development of the Local Plan, in discussion with South Cambridgeshire District Council and Cambridgeshire County Council.
- ◆ Completed our annual planned maintenance programme of works to maintain city homes to the best possible standard.
- ◆ Continued to take action against private sector landlords that do not comply with health and safety requirements or good tenant management.
- ◆ Provided housing advice to keep homelessness to a minimum and help prevent homelessness by offering early advice on alternative housing options.
- ◆ Increased the range of temporary housing available to minimise the impact on households that become homeless or threatened with homelessness.

Planning and Climate Change Portfolio Plan

During 2013/14 we:

- ◆ Took our emerging local plan through consultation and the key stages of our approach to the Community Infrastructure Levy and submitted the new local plan for examination by the Secretary of State.

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- ◆ Took a leading role under the duty to co-operate in the delivery of the emerging strategic planning function at the sub-regional level
- ◆ Worked jointly with South Cambridgeshire District Council and Cambridgeshire County Council on the review of local plans and the County Transport Strategy.
- ◆ Implemented principles of the localism agenda relating to community engagement in the development plan process and neighbourhood planning responsibilities.
- ◆ Improved the performance and efficiency of our planning service, especially in the area of planning application processing.
- ◆ Worked closely with developers and other stakeholders to ensure that new developments are of a high design quality and environmentally sustainable and contribute positively to the character of the built and green space of the city.
- ◆ Continued to secure funding for a range of public art projects across the city.
- ◆ Adopted a tree strategy, in consultation with key stakeholders, that set out the council's overarching policy for the trees within the city and how they will be preserved for future generations.
- ◆ Took forward a joint programme with partner local authorities to deliver a Green Deal model for Cambridgeshire and secured £7.8 million in additional funding from central government.
- ◆ Continued to work with partners in the Cambridge Retrofit project towards a long-term approach for financing, monitoring and delivering energy efficiency improvements to existing properties in Cambridge.
- ◆ Delivered new transport measures and actions to improve facilities for pedestrians, cyclists and public transport users, including in the new developments in the city.
- ◆ Contributed to the review of area transport plans and proposed projects for investment, supporting the local process for bidding for new and implementing relevant funding sources.
- ◆ Put in place with our partners, additional new 20 mph zones in parts of the city .
- ◆ Delivered additional cycle parking places in accordance with our cycle parking project.

Public Places

During 2013/14 we:

- ◆ Developed a more commercial approach for our tourism service and made good progress in identifying a sustainable model of tourism that is less reliant on the Council.
- ◆ Supported the new Business Improvement District to deliver the projects set out in its business proposal.
- ◆ Developed our commemorations service to extend choices to the bereaved and made the service operate more efficiently.

Annual Report

- ◆ Increased the number of street and recycling bins and dog litter bins in the city.
- ◆ Worked with the police and PCSOs to take enforcement action against dog fouling following the introduction of dog control orders.
- ◆ Introduced a rapid response team to respond to environmental emergencies outside of the city centre.
- ◆ Continued to refurbish our public toilets and look at opportunities for providing community toilets.
- ◆ Delivered developer contribution-funded public arts projects that were prioritised by the Council's Area and Scrutiny Committees.
- ◆ Introduced a revised Tree Management Protocol that aligns with the Council's Area Committee decision-making cycle.

Strategy Portfolio Plan

During 2013/14 we:

- ◆ Contributed to continuing reductions in recorded incidents of anti-social behaviour.
- ◆ Reviewed the impact of our current interventions with the street life community and developed a refreshed action plan with our partners to work with vulnerable individuals.
- ◆ Gave victims a greater say in the solutions to anti-social behaviour and low level crime by increasing our referrals to Neighbourhood Resolution Panels.
- ◆ Secured on-going resources for our Community Safety Partnership to enable continued strong inter-agency sponsorship of projects.
- ◆ Worked with the Local Enterprise Partnership and others to support sustainable growth in the Greater Cambridge economy.
- ◆ Concluded negotiations for a City Deal for the Greater Cambridge sub-region with the Government, securing up to £500 million of new funding.
- ◆ Explored the potential for generating income from council services and the feasibility of sharing services with other partners in the public sector.
- ◆ Progressed an accommodation strategy for the council and its associated savings.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the chief financial officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- ◆ approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The chief financial officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts, the chief financial officer has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent; and
- ◆ complied with the Code of Practice.

The chief financial officer has also:

- ◆ kept proper accounting records which were up to date; and
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

Introduction to the Statement of Accounts

I am pleased to introduce the Council's Statement of Accounts for 2013/14. The preceding Annual Report section of this document describes the diverse range of services provided by Cambridge City Council to its residents, local businesses and visitors and provides details of some of the key activities and achievements during the year.

The Statement of Accounts, set out on pages 11 to 106, contain a series of statements, summarising the financial implications to the Council during the year in delivering these services. In addition, details of the Council's assets and liabilities at the beginning and end of the Council's financial year are presented. The financial year ran from 1 April 2013 to 31 March 2014.

The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom' (The Code). The code is based on International Financial Reporting Standards (IFRS) and sets out the format and content of the key financial statements and accompanying notes in this publication.

The key financial statements are as follows:

- ◆ Movement in Reserves Statement
- ◆ Comprehensive Income and Expenditure Statement
- ◆ Balance Sheet
- ◆ Cash Flow Statement
- ◆ Housing Revenue Account
- ◆ Collection Fund

These accounts are supported by a comprehensive set of notes together with a statement of the accounting policies of the Council and a glossary of terms. An index to the main notes to the accounts is provided on page 18.

Once again, the accounts have been produced promptly and to the high standard expected of the Council. This would not have been possible without the hard work of the Finance Service team and other finance staff across the Council, and I would like to thank them, Directors, and service managers for their assistance in the preparation of these accounts.

Review of 2013/14

Four years on from the 2010 Spending Review, the context of public sector spending cuts is now well established and familiar to all those working across the sector. The UK economy, after a sustained period of recession grew during 2013/14, with inflation ending the year below 2% and unemployment almost at pre-financial crisis levels.

As in previous years, budgets were closely monitored during the year and revisions made, where necessary, to reflect changing circumstances. These revisions included changes to reflect Council's approval to carry forward budgets from 2012/13 to meet the costs of re-phased expenditure, additional savings identified during the year and also to provide for unavoidable additional costs.

Just as in the private sector, changes in the values of Council-owned property are reflected in the accounts each year. Further information about the valuation of assets, and how changes in their value must be accounted for, can be found in the section that details accounting policies.

Given the prevailing economic climate, reductions in funding from central government and resulting pressures on the Council's finances, it is pleasing to note that:

Introduction to the Statement of Accounts

- ◆ A programme of service reviews continues to achieve worthwhile on-going savings that will support the Council's financial position going forward. As part of the review programme, the Council has continued to explore opportunities to join forces with other local authorities to merge the commissioning and delivery of functions. Work is currently underway to set up new shared services for both the Legal and Waste Services, whilst shared service arrangements are already in place for Payroll, Choice Based Lettings Service, the management of the Internal Audit service and the provision of Home Improvement Agency services.
- ◆ Improvements were made to the Council's open spaces, sports, recreation and public art provision through a range of projects funded by developers.
- ◆ The Council continued to work closely with public sector partners to plan the provision of new services and facilities in the North West and Southern fringes of the City (where major development is taking place) including a new primary school at Trumpington Meadows and a new multi-use community centre at Clay Farm.
- ◆ The Government's welfare reforms were established during the year including the new Local Council Tax Support scheme which replaced the Council Tax Benefit subsidy scheme.
- ◆ Major investment continued to be made in the Council's housing stock. In addition to expenditure on repairs and improvements to existing dwellings we are delivering a new council house building programme and are working with planners, developers and others to increase the supply of affordable housing.

Revenue Spending and Income

General Fund Services

For 2013/14, the Council agreed a budget for net spending of £17.8 million. This sum was financed in part by government grant together with the New Homes Bonus and the Council's share of Business Rates, with the remainder being raised through Council Tax. The Council Tax for City Council services was set at £169.90 for Band D properties.

The table below compares the final outturn figures for the General Fund with those originally planned, when the budget and Council Tax for the year was agreed in February 2013.

Introduction to the Statement of Accounts

(£000s)	Original Budget	Actual	Difference
Committee			
Community Services	10,840	10,948	108
Environment	11,703	11,220	(483)
Strategy & Resources	(1,982)	(3,003)	(1,021)
Net Spending on Services	20,561	19,165	(1,396)
Capital Accounting Adjustments	(4,593)	(4,612)	(19)
Capital and Revenue Projects Spending Funded from Revenue	1,237	603	(634)
Contributions to non-domestic rates Earmarked Reserve	0	3,207	3,207
Contributions to Earmarked Reserves – before statutory accounting adjustments	1,294	1,235	(59)
Contributions to/(from) General Fund Reserve	(713)	1,181	1,894
Total	17,786	20,779	2,993
Financed by:			
Revenue Support Grant	5,609	5,639	30
New Homes Bonus (NHB)	2,117	2,117	0
Non-domestic rates – net income	3,732	6,397	2,665
Non-domestic rates – small business relief grant	0	254	254
Other Specific Grants	75	119	44
Council Tax	6,253	6,253	0
Total	17,786	20,779	2,993

Although the Council's actual net revenue spending on the provision of services was £1,396,000 less than the original budget set for the year, a variety of factors contributed to this overall position. In a number of areas there have been underspends on staff costs, for example in Internal Audit, Street Cleaning, Planning Policy and Building Control. In addition there have been increases in Income over budget, for example in the Trade Refuse and Recycling activities. Tight budgetary control, the delivery of savings from service reviews and other efficiency measures combined to largely offset unavoidable additional costs.

The total amount of capital and revenue project expenditure funded from revenue was below the original budget by £634,000 largely reflecting slippage on the timing of expenditure.

A net contribution to the General Fund Reserve of £1,181,000 was made for the year and, at the year-end, the reserve stood at £9,176,000. This reserve provides financial flexibility to the Council for meeting exceptional and/or unanticipated items.

Changes to the arrangements for funding of local government services came into effect from 1 April 2013 and this Statement of Accounts reflects the changes. The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. Under previous arrangements, central government as part of the local government settlement announcement each year, determined the amount of the national business rates pool that each authority would receive, and as such there was no direct link between the business rates collected by the Council and the funding we received.

Introduction to the Statement of Accounts

However from April 2013 the Council retains an element of any business rates collected above the assumed 'baseline' level, paying the remainder to central government as a 'levy'. If business rates income falls to less than 92.5% of the baseline, the Council receives a 'safety net' payment so that any loss of income below the baseline is capped at 7.5%.

Whilst there is the potential for the Council to benefit from business rates growth in the City, there is also a degree of risk in that the Council has to bear a proportion of any reduction in business rates, for example as a consequence of demolition of premises or reductions in the rateable value of existing properties (including retrospective reductions).

Given the risks in the new scheme, when the original budget was set for 2013/14, the Council adopted a prudent approach and assumed that net income under the scheme would be at the baseline level.

Under statutory regulation the amount of business rates credited to the General Fund in 2013/14 is based on an estimate, with any resulting difference being recovered from the General Fund, or paid to it in 2014/15. However any safety net or levy payments are accounted for in 2013/14. The Council agreed, as part of the February 2014 Budget Setting Report to set up an earmarked reserve to manage business rates retention and these timing differences.

At outturn the Council's share of business rates is substantially lower than the original estimate, and below the baseline funding level. This results from the need to make a much larger provision than was previously anticipated to meet the costs of refunds to business ratepayers as a consequence of successful valuation appeals. The Council's share of this provision is £3,041,000.

The Council's share of the deficit on business rates to be recovered in 2014/15 is £3,207,000. The Council has made a contribution to an earmarked reserve to fund this recovery, largely funded from the 'safety net' payment from central government of £1,372,000, a business rates related grant in respect of small business relief of £254,000 and income credited to the General Fund above the baseline assumption of £1,292,000.

Housing Revenue Account

The Housing Revenue Account (HRA) budget for 2013/14 was set based upon a revised investment strategy, to deliver a sustainable financial position over the coming 30-year period of the HRA Self-Financing Business Plan, providing for funds to be set-aside to allow the authority to redeem 25% of its debt portfolio at loan maturity, should the authority so choose, whilst facilitating significant investment in the delivery of new affordable housing.

For 2013/14 the budget was originally set with the intention of contributing £726,000 to HRA reserves, with the expectation that by the end of the financial year, reserves would be maintained at the agreed target level of £3 million. The current strategy includes a minimum level of reserves of £2 million, with a target level of £3 million, creating the ability to invest in short-term projects which are anticipated to pay back quickly.

The table below compares the final outturn figures (before statutory accounting adjustments) for the HRA as reported to Housing Management Board in June 2014, with those originally planned, when the budget and rent levels for the year were agreed in February 2013.

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(£000s)	Original Budget	Actual	Difference
Net Revenue Spending on Services	14,386	12,755	(1,631)
Debt Management Costs and Interest	7,494	7,500	6
Other Expenditure	672	573	(99)
Capital Accounting Adjustments	7,361	7,678	317
Direct Revenue Funding of Capital and Revenue Projects in the Housing Capital Investment Plan	7,162	6,406	(756)
Total	37,075	34,912	(2,163)
Financed by:			
Dwelling Rents and Service Charges	36,177	36,527	350
Rent (Garages, Land & Commercial Property)	1,047	1,065	18
Interest Income	105	113	8
Other Income	472	592	120
Contributions (to) / from Reserves	(726)	(3,385)	(2,659)
Total	37,075	34,912	(2,163)

During the financial year, in June 2013, approval was given to carry forward resources of £3,108,000 to fund expenditure re-phased from 2012/13. The majority of this sum, £3,085,000, was towards meeting the costs of capital investment in the housing stock. The balance was to meet costs of an issue of Open Door which was deferred from March until April 2013, to fund external support to the authority in the procurement process for Supporting People Services and delayed tree and landscaping works to housing property. This approval resulted in an anticipated use of reserves in 2013/14 of £2,383,000.

Further changes in the planned use of reserves for 2013/14 were made as part of the Council's HRA Mid-Year Financial Review and revised budget process, reducing the planned use to £1,876,000. These changes reflected reduced costs for void repairs in the housing stock, resident involvement, business overheads, debt management expenses and bad debts, increased rental income, changes in service charge income and retention of income for support services for a further year, partially offset by a reduction in income for HRA commercial property, increased gas maintenance costs, legal costs associated with the planned maintenance contract, costs associated with organisational restructure and an increase in depreciation costs for the housing stock.

The outturn position for the HRA in 2013/14, reported to the Housing Management Board in July 2014, was a net contribution to reserves of £3,383,000. Requests have been made to carry forward funding of £3,393,000 into 2014/15, reflecting re-phasing of a number of projects, but particularly recognising the deferred need to use reserves to fund capital expenditure in light of slippage in the Housing Capital Investment Programme.

HRA available reserves stood at £8,880,000 at the year-end.

Introduction to the Statement of Accounts

Capital Spending and Receipts

In 2013/14 the Council acquired £22,061,000 of capital assets. Of this £12,471,000 was on major repairs and improvements to council dwellings, £2,254,000 on vehicles, plant and equipment and £4,306,000 on assets in the course of construction (including £1,359,000 on the redevelopment of housing stock and £1,722,000 in respect of improvements to Parkside and Abbey Pools).

Capital receipts continue to be generated through the sale of land, council houses, shared ownership dwellings and other property. The Council received £8,795,000 in the year, of which £1,044,000 had to be paid over to central government.

External Borrowing

The Council did not need to undertake any new external borrowing during the year. The external debt of £213.7 million shown in the Balance Sheet at the end of the financial year relates to borrowing undertaken in 2011/12 to meet a one-off debt settlement payment to Central Government in relation to new Self-Financing arrangements for the Housing Revenue Account.

Pension Costs

The Council's share of the assets and liabilities of the County Pension Fund show an estimated net liability of £95.2 million at 31 March 2014. This liability has no impact on the level of the Council's available reserves.

Further information relating to the assets, liabilities, income and expenditure of the Council's pension scheme is presented in note 39 starting on page 62.

Looking ahead to 2014/15

A critical element of this Council's success in dealing with the financial challenges of the past five years has been the emphasis we have placed on forward planning. Councils have to live within their means and members and officers have produced a budget plan for 2014/15 and beyond. Significant savings are required to meet the twin pressures of reducing central government funding and increased demand for services. The UK is not yet half way through what is expected to be a decade of austerity and, despite a growing economy, a national budget deficit of approximately £50 billion will remain at the time of the next General Election in 2015. This means that cuts to public spending will continue until the end of the decade, no matter which political party is in power nationally. As part of the Government's aim to bring the UK's finances back into surplus, further spending cuts will be passed on to local government by Whitehall. Officers therefore have been carrying out a review of all council spending, developing options for how the Council could meet the financial challenge.

The "City Deal" initiative will transform the transport network around Cambridge with a government grant of up to £500 million announced in the Chancellor's Budget in March 2014. The cash is expected to be released over 15 to 20 years under the deal between Cambridge and the Government, and will be topped by up to £1 billion by local authorities using proceeds from growth. Cambridge City Council, South Cambridgeshire District Council and Cambridgeshire County Council are considering the creation of a joint authority overseeing transport and housing strategy to decide how the money is best spent. The first £100 million is expected to be released in 2015/16, and much of it is likely to be spent on new cycle links such as the 'Chisholm trail' route from Cambridge Science Park to the south of the city, and new bus lanes and bus priority measures. Two further

Introduction to the Statement of Accounts

tranches, each of £200 million, would be released if the city meets targets for economic growth, house building and reducing congestion.

Further Information

Further information about the accounts is available from:

Head of Finance
Business Transformation Department
Cambridge City Council
PO Box 700
Cambridge
CB1 0JH

In addition, interested members of the public have a right to inspect the accounts each year before the audit is completed. The availability of the accounts for public inspection is advertised in the local press and on the Council's web site.

Opinion

I certify that the Statement of Accounts present a true and fair view of the financial position of Cambridge City Council at 31 March 2014 and its income and expenditure for the year then ended.

Alex Colyer
Section 151 Officer
Date: 2014

MAIN FINANCIAL STATEMENTS

Main Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(surplus) or deficit on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'net (increase)/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

Financial year 2013/14

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2013	(7,995)	(20,236)	(5,495)	(3,863)	(13,210)	(5,111)	(4,155)	(60,065)	(425,125)	(485,190)
Movement in reserves during 2013/14										
(Surplus) / deficit on the provision of services	(2,880)	0	(16,906)	0	0	0	0	(19,786)	0	(19,786)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(28,493)	(28,493)
Total Comprehensive income and expenditure	(2,880)	0	(16,906)	0	0	0	0	(19,786)	(28,493)	(48,279)
Adjustments between accounting basis and funding basis under regulations (Note 4)	(2,008)	0	13,064	0	(4,383)	192	(6,902)	(37)	37	0
Net (increase) / decrease before transfers to earmarked reserves	(4,888)	0	(3,842)	0	(4,383)	192	(6,902)	(19,823)	(28,456)	(48,279)
Transfers to / from earmarked reserves (Note 5)	3,707	(3,707)	457	(457)	0	0	0	0	0	0
(Increase) / decrease in 2013/14	(1,181)	(3,707)	(3,385)	(457)	(4,383)	192	(6,902)	(19,823)	(28,456)	(48,279)
Balance at 31 March 2014	(9,176)	(23,943)	(8,880)	(4,320)	(17,593)	(4,919)	(11,057)	(79,888)	(453,581)	(533,469)

Main Financial Statements

Financial Year 2012/13 (as restated – see Note 43)

(£000s)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
Balance at 1 April 2012	(9,458)	(19,706)	(6,974)	(2,472)	(10,420)	(1,171)	(5,261)	(55,462)	(437,960)	(493,422)
Movement in reserves during 2012/13	0	0	0	0	0	0	0	0	0	0
(Surplus) / deficit on the provision of services	6,544	0	(1,365)	0	0	0	0	5,179	0	5,179
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	3,053	3,053
Total Comprehensive income and expenditure	6,544	0	(1,365)	0	0	0	0	5,179	3,053	8,232
Adjustments between accounting basis and funding basis under regulations (Note 4)	(5,611)	0	1,453	0	(2,790)	(3,940)	1,106	(9,782)	9,782	0
Net (increase) / decrease before transfers to earmarked reserves	933	0	88	0	(2,790)	(3,940)	1,106	(4,603)	12,835	8,232
Transfers to / from earmarked reserves (Note 5)	530	(530)	1,391	(1,391)	0	0	0	0	0	0
(Increase) / decrease in 2012/13	1,463	(530)	1,479	(1,391)	(2,790)	(3,940)	1,106	(4,603)	12,835	8,232
Balance at 31 March 2013	(7,995)	(20,236)	(5,495)	(3,863)	(13,210)	(5,111)	(4,155)	(60,065)	(425,125)	(485,190)

Main Financial Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting costs in the year, of providing services, in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

(£000s)	Notes	2013/14			2012/13 (as restated see Note 43)		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Central services to the public		2,422	(829)	1,593	9,008	(7,418)	1,590
Cultural and related services		15,032	(4,867)	10,165	13,607	(4,312)	9,295
Environmental and related services		13,788	(5,610)	8,178	13,742	(5,430)	8,312
Planning Services		8,287	(3,043)	5,244	8,491	(2,307)	6,184
Highways and transport services		6,894	(8,965)	(2,071)	5,409	(8,768)	(3,359)
Housing Revenue Account	3	17,381	(38,162)	(20,781)	29,088	(36,642)	(7,554)
Other housing services		43,586	(39,192)	4,394	42,448	(37,467)	4,981
Corporate and democratic core		2,818	0	2,818	2,924	0	2,924
Non distributed costs	3	112	0	112	(130)	0	(130)
Cost of Services		110,320	(100,668)	9,652	124,587	(102,344)	22,243
Other operating expenditure	6	1,178	(1,485)	(307)	925	(589)	336
Financing and investment income and expenditure	7	12,317	(12,331)	(14)	12,801	(11,010)	1,791
Taxation and non-specific grant income	3/8	0	(29,117)	(29,117)	0	(19,191)	(19,191)
(Surplus) / deficit on provision of services	9	123,815	(143,601)	(19,786)	138,313	(133,134)	5,179
(Surplus) / deficit on revaluation of Property, Plant and Equipment assets	35			(25,490)			(7,051)
Remeasurements of the net defined pension liability	39			(3,003)			10,104
Other comprehensive (income) / expenditure				(28,493)			3,053
Total comprehensive (income) / expenditure				(48,279)			8,232

Main Financial Statements

Balance Sheet

The Balance Sheet shows the value at the stated date of the Council's assets and liabilities. The net assets are matched by reserves. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes those reserves that hold unrealised gains and losses (e.g the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

(£000s)	Notes	31 March 2014	31 March 2013 (as restated – Note 43)	1 April 2012 (as restated – Note 43)
Property, Plant and Equipment	16	643,605	613,872	618,547
Heritage Assets	19	430	430	430
Investment Property	22	118,529	114,476	111,373
Intangible Assets	23	506	472	538
Assets Held for Sale	27	0	3,354	0
Long Term Investments	25	5,987	1,734	2,190
Long Term Debtors	26	1,029	1,108	1,111
Long Term Assets		770,086	735,446	734,189
Short Term Investments	25	70,396	59,093	57,606
Assets Held for Sale	27	4,492	841	0
Inventories		274	274	239
Short Term Debtors	28	21,890	8,076	8,079
Cash and Cash Equivalents	29	6,573	7,734	4,781
Current Assets		103,625	76,018	70,705
Short Term Creditors	30	(16,407)	(10,900)	(12,434)
Receipts in Advance	31	(6,314)	(3,992)	(3,398)
Provisions	32	(3,345)	(364)	(315)
Current Liabilities		(26,066)	(15,256)	(16,147)
Long Term Borrowing	37	(213,654)	(213,654)	(213,654)
Other Long Term Liabilities	39	(95,201)	(92,967)	(78,945)
Capital Grants Receipts in Advance	33	(5,321)	(4,397)	(2,726)
Long Term Liabilities		(314,176)	(311,018)	(295,325)
Net Assets		533,469	485,190	493,422
Usable Reserves	34	(79,888)	(60,065)	(55,462)
Unusable Reserves	35	(453,581)	(425,125)	(437,960)
Total Reserves		(533,469)	(485,190)	(493,422)

These financial statements were authorised for issue on the June 2014.

Alex Colyer, Section 151 Officer

June 2014

Main Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation, grant income and by the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities show claims that will be made on future cash flows by providers of capital (i.e. borrowing) to the Council.

(£000s)	Notes	2013/14	2012/13
Cash flows from operating activities			
Cash receipts		151,711	108,879
Cash payments		(129,808)	(93,718)
Net cash flows from operating activities	40	21,903	15,161
Net cash flows from investing activities	41	(24,883)	(8,991)
Net cash flows from financing activities	42	1,819	(3,217)
Net (decrease) / increase in cash and cash equivalents		(1,161)	2,953
Cash and cash equivalents at the beginning of the year	29	7,734	4,781
Cash and cash equivalents at the end of the year	29	6,573	7,734

NOTES TO THE MAIN FINANCIAL STATEMENTS

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Notes to the Main Financial Statements

1 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on pages 91 to 106, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and significantly reduce levels of service provision.

2 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to judgements, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenditure during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The net pension liability at 31 March 2014 is estimated to be £95.2 million and the estimated effects on the liability of changes in individual assumptions is disclosed in Note 39.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council did not sustain its current spending on repairs and maintenance the useful lives currently assigned to assets may be reduced.

If the useful life of assets is reduced, depreciation increases and the carrying value of the assets fall. It is estimated that the annual depreciation charge for assets would increase by approximately £800,000 for every year that useful lives had to be reduced.

Business Rates

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local share of business rates income. The Council's General Fund share of business rates income is 40%.

Notes to the Main Financial Statements

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2014 following successful rating valuation appeals. The Council's share of this provision is £3.0 million as disclosed in Note 32. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. It is possible that appeals will be settled at amounts which differ from the estimate made on historical experience.

3 Material Items of Income and Expenditure

The following material items of income and expenditure are included in the relevant lines of the Comprehensive Income and Expenditure Statement.

A capital grant of £7.8 million in respect of the Green Deal has been included in taxation and non-specific grant income. This grant is to facilitate energy efficiency improvements in Cambridgeshire on an area by area basis, targeting the areas that most need support, include hard to treat properties and low income and fuel poor households. The grant will be spent during 2014/15.

The Council's share of non-domestic rates income totalling £34.1 million and the tariff of £32.3 million payable to central government under the rates retention scheme have been included in taxation and non-specific grant income.

A net credit for reversal of previous revaluation losses of £6.8 million on council housing stock has been credited to expenditure within the HRA net cost of service line. The comparative figure for 2012/13 includes a net debit of £4.0 million. More detail on the movements in the value of the Council's housing stock can be found in note 16 to the main financial statements.

The surplus on revaluation of Property, Plant and Equipment includes a net £7.8 million gain (£8.5 million in 2012/13) in respect of the Council's housing stock. It also includes a £11.3 million gain in respect of the Grand Arcade car park.

Notes to the Main Financial Statements

4 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

The total comprehensive income and expenditure recognised by the Council in the year, is prepared in accordance with proper accounting practice. This note details the adjustments that are made to income and expenditure to reflect the resources that are specified by statute as being available to the Council to meet future capital and revenue expenditure.

Financial year 2013/14

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,658)	0	0	0	0	4,658
Net revaluation losses on property, plant and equipment	(1,717)	6,734	0	0	0	(5,017)
Net revaluation losses on assets held for sale	(152)	17	0	0	0	135
Movements in the market value of investment properties	3,090	756	0	0	0	(3,846)
Amortisation of intangible assets	(114)	0	0	0	0	114
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(1,786)	(404)	0	0	0	2,190
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,711)	(4,646)	0	0	0	7,357
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(23)	0	0	0	0	23
Capital expenditure charged against General Fund and HRA balances	2,401	6,406	0	0	0	(8,807)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	10,829	549	0	0	(11,378)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	4,475	(4,475)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,047	6,748	(8,795)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,414	0	0	(3,414)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,044)	0	1,044	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(31)	0	0	31
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(15)	0	0	15
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(10,619)	0	10,619
Reversal of Major Repairs Allowance credited to the HRA	0	(2,941)	0	2,941	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	7,870	0	(7,870)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(41)	0	0	0	0	41
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(9,167)	(1,018)	0	0	0	10,185
Employer's pension contributions and direct payments to pensioners payable in the year	4,090	858	0	0	0	(4,948)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,040)	0	0	0	0	3,040
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	(1)	0	0	0	7
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(6)	6	0	0	0	0
Total adjustments	(2,008)	13,064	(4,383)	192	(6,902)	37

Notes to the Main Financial Statements

Financial year 2012/13 (as restated – see Note 43)

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(4,456)	0	0	0	0	4,456
Net revaluation losses on property, plant and equipment	119	(4,020)	0	0	0	3,901
Movements in the market value of investment properties	2,308	15	0	0	0	(2,323)
Impairment losses on assets held for sale	0	(17)	0	0	0	17
Amortisation of intangible assets	(146)	0	0	0	0	146
Revenue expenditure funded from capital under statute and de minimis capital expenditure	(2,252)	(116)	0	0	0	2,368
HRA Self-financing settlement payment funded from capital under statute	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(214)	(3,694)	0	0	0	3,908
Private sector housing loans adjustment	7	0	0	0	0	(7)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Private sector housing loan repayments – original loan less than £10,000	(26)	0	0	0	0	26
Capital expenditure charged against General Fund and HRA balances	2,688	7,447	0	0	0	(10,135)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,261	316	0	0	(1,577)	0
Transfer of capital contributions unapplied to the General Fund	(122)	0	0	0	122	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	2,561	(2,561)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	4,436	(4,436)	0	0	0
Other capital receipts	0	13	(13)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	779	0	0	(779)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(908)	0	908	0	0	0
Transfer to capital receipts reserve on receipt of loan payment	0	0	(11)	0	0	11
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(17)	0	0	17
Adjustments primarily involving the Major Repairs Reserve:						
HRA depreciation	0	0	0	(10,623)	0	10,623
Reversal of Major Repairs Allowance credited to the HRA	0	(3,259)	0	3,259	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	3,424	0	(3,424)

Notes to the Main Financial Statements

(£000s)	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	11	301	0	0	0	(312)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(7,984)	(766)	0	0	0	8,750
Employer's pension contributions and direct payments to pensioners payable in the year	4,045	787	0	0	0	(4,832)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1	0	0	0	0	(1)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	67	0	0	0	0	(67)
Adjustments primarily involving the Housing Revenue Account:						
Amounts transferred from the Housing Revenue Account to the General fund under statutory regulation	(10)	10	0	0	0	0
Total adjustments	(5,611)	1,453	(2,790)	(3,940)	1,106	9,782

Notes to the Main Financial Statements

5 Movement in Reserves Statement – Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans together with the amounts of earmarked reserves used to meet General Fund and HRA expenditure in 2013/14.

(£000s)	2012/13			2013/14		Balance at 31 March 2014	
	Balance at 1 April 2012	Transfers In	Transfers Out	Balance at 31 March 2013	Transfers In		Transfers Out
General Fund:							
Asset Repair and Renewals Reserves	(13,926)	(3,122)	2,895	(14,153)	(3,363)	3,433	(14,083)
Insurance Fund	(863)	(1,155)	943	(1,075)	(754)	663	(1,166)
Technology Investment Fund	(213)	(15)	87	(141)	0	8	(133)
Development Plan Reserve	(418)	(150)	173	(395)	(317)	135	(577)
Compulsory Purchase Order Compensation Reserve	(583)	0	0	(583)	0	361	(222)
Major Planning Appeals Reserve	(23)	(84)	107	0	(428)	293	(135)
Revenue Contributions to Capital	(223)	0	45	(178)	0	42	(136)
Efficiency Fund	(484)	(200)	194	(490)	0	117	(373)
Pension Reserve	(164)	(329)	0	(493)	(493)	0	(986)
Climate Change Fund	(396)	(129)	115	(410)	(3)	66	(347)
Keep Cambridge Moving	0	0	0	0	(436)	0	(436)
Business Rates Retention	0	0	0	0	(3,207)	0	(3,207)
Other	(2,413)	(657)	752	(2,318)	(454)	630	(2,142)
Total	(19,706)	(5,841)	5,311	(20,236)	(9,455)	5,748	(23,943)
Housing Revenue Account:							
Asset Repair and Renewal Reserve	(1,988)	(286)	125	(2,149)	(338)	95	(2,392)
Shared Ownership Reserve	(300)	0	0	(300)	0	0	(300)
Other	(184)	(1,251)	21	(1,414)	(231)	17	(1,628)
Total	(2,472)	(1,537)	146	(3,863)	(569)	112	(4,320)

Notes to the Main Financial Statements

6 Comprehensive Income and Expenditure Statement – Other Operating Expenditure

(£000s)	2013/14		2012/13	
	Income	Expenditure	Income	Expenditure
Payments to the Government Housing Capital Receipts Pool	0	1,044	0	908
Impairment losses on assets held for sale	0	134	0	17
(Gains) / losses on the disposal of non-current assets	(1,485)	0	(576)	0
Other income	0	0	(13)	0
	(1,485)	1,178	(589)	925

7 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

(£000s)	2013/14		2012/13	
	Income	Expenditure	Income	Expenditure
Interest payable and similar charges	0	7,496	0	7,496
Impairment of investments	0	(529)	0	64
Net interest on the net defined benefit liability	0	4,201	0	3,791
Gains and losses on trading (note 10)	(35)	0	0	28
Interest receivable and similar income	(710)	0	(821)	0
Income and expenditure in relation to investment properties and changes in their fair value	(11,586)	1,149	(10,189)	1,422
	(12,331)	12,317	(11,010)	12,801

8 Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

(£000s)	2013/14	2012/13
Council tax income	(6,421)	(6,745)
Non domestic rates – distribution from the national pool	0	(8,435)
Net council share of business rates income	(1,816)	0
Non-domestic rates retention – safety net payment due from central government	(1,373)	0
Non-ringfenced government grants	(8,129)	(2,434)
Capital grants and contributions	(11,378)	(1,577)
	(29,117)	(19,191)

Notes to the Main Financial Statements

The business rates income retained by the Council under the business rates retention scheme of £1,816,000 comprises the Council's share of income of £34,102,000 less a tariff payment due to central government of £32,286,000.

9 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Council's Executive on the basis of financial information analysed by portfolio. Reports presented to members are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to revaluation losses and revenue expenditure funded from capital under statute.
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- The net income generated by the Council's commercial property service is reported below 'cost of services' in 'financing and investment income and expenditure'.
- Reports include contributions to Repairs and Renewals Funds rather than the actual expenditure reflected in the accounts.

Notes to the Main Financial Statements

The income and expenditure of the Council's service portfolios recorded in the budget reports for the year and how it reconciles to that included in the net cost of services in the Comprehensive Income and Expenditure Statement is as follows:

(£000s)	2013/14	2012/13 (as restated)
Net Expenditure for the year as reported to management		
General Fund		
<i>Community Services Scrutiny Committee</i>		
Community Wellbeing	7,469	7,961
Housing	3,479	2,746
<i>Environment Scrutiny Committee</i>		
Public Places	2,109	2,002
Planning & Climate Change	1,231	1,610
Environmental & Waste Services	7,880	7,736
<i>Strategy & Resources Scrutiny Committee</i>		
Customer Services and Resources	(6,244)	(5,409)
Strategy	3,242	3,389
Housing Revenue Account		
Housing Management Board	(15,074)	(12,464)
	4,092	7,571
Amounts in the Comprehensive Income & Expenditure Statement not reported to management	1,083	9,844
Amounts reported to management not included in the Comprehensive Income and Expenditure Statement	4,477	4,828
Cost of Services in the Comprehensive Income and Expenditure Statement	9,652	22,243

The 2012/13 comparative figures have been restated to reflect the portfolios in operation during 2013/14.

Notes to the Main Financial Statements

This reconciliation (analysed subjectively) shows how the figures for the income and expenditure included in the reports to management relate to the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Financial year 2013/14

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(74,090)	0	0	0	12,897	(61,193)
Interest and investment income	(580)	(113)	0	(3,863)	(7,740)	(12,296)
Income from council tax	0	(6,254)	0	(167)	0	(6,421)
Income from non-domestic rates	0	(6,396)	0	3,207	0	(3,189)
Gain on disposal of assets and other capital receipts	0	0	0	(1,485)	0	(1,485)
Government grants, donations and contributions	(39,509)	(8,130)	0	(11,378)	0	(59,017)
Total Income	(114,179)	(20,893)	0	(13,686)	5,157	(143,601)
Employee expenses	22,682	0	0	1,043	13,999	37,724
Other service expenses	66,282	0	(2,965)	3,848	(3,611)	63,554
Recharges	16,404	0	0	0	(16,404)	0
Depreciation, amortisation and impairment	12,901	0	(84)	(3,880)	1,388	10,325
Interest payments	2	7,494	0	4,201	(529)	11,168
Payments to Housing Receipts Pool	0	0	0	1,044	0	1,044
Total Expenditure	118,271	7,494	(3,049)	6,256	(5,157)	123,815
(Surplus) / Deficit on the provision of services	4,092	(13,399)	(3,049)	(7,430)	0	(19,786)

Notes to the Main Financial Statements

Financial year 2012/13 (as restated – see Note 43)

(£000s)	Portfolio Analysis	Amounts reported to management below portfolio analysis	Amounts reported to management which do not form part of CIES	Amounts not reported to management for decision making	Allocation of recharges	Total
Fees, charges and other service income	(70,326)	0	0	0	12,455	(57,871)
Interest and investment income	(699)	(101)	0	(2,342)	(7,868)	(11,010)
Income from council tax	0	(6,744)	0	(1)	0	(6,745)
Gain on disposal of assets and other capital receipts	0	0	0	(589)	0	(589)
Government grants, donations and contributions	(45,047)	(10,418)	123	(1,577)	0	(56,919)
Total Income	(116,072)	(17,263)	123	(4,509)	4,587	(133,134)
Employee expenses	21,632	0	0	61	13,446	35,139
Other service expenses	72,998	0	(2,033)	4,220	(3,413)	71,772
Recharges	15,606	0	0	0	(15,606)	0
Depreciation, amortisation and impairment	13,405	10	(176)	4,982	922	19,143
Interest payments	2	7,494	0	3,791	64	11,351
Payments to Housing Receipts Pool	0	0	0	908	0	908
Total Expenditure	123,643	7,504	(2,209)	13,962	(4,587)	138,313
(Surplus) / Deficit on the provision of services	7,571	(9,759)	(2,086)	9,453	0	5,179

10 Trading Operations

The financial results of the Council's significant trading activities for the year are set out below:

Included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

(£000s)	2013/14	2012/13
Ditchburn Place Extra Care Contract		
Income	(638)	(622)
Expenditure	603	650
Deficit/(Surplus)	(35)	28

The City Council is contracted by Cambridgeshire County Council to provide care and support services for the extra care housing at Ditchburn Place.

Notes to the Main Financial Statements

Included within Planning services in the Comprehensive Income and Expenditure Statement

General Markets – the Council operates the general daily market in the city centre together with a number of other smaller specialist markets.

(£000s)	2013/14	2012/13
Income	(776)	(741)
Expenditure	422	405
Surplus	(354)	(336)

11 Agency Services

Agency Services provided on behalf of Cambridgeshire County Council were:

(£000s)	2013/14	2012/13
Highways Functions and Services		
Total costs	145	144
Costs reimbursed by the County Council	145	144

Box Office Services

The Council operates a box office for private promoters for performances and events held at the Corn Exchange. Gross income collected and paid over to promoters was £3,186,000 in 2013/14 (£3,156,000 in 2012/13.)

Notes to the Main Financial Statements

12 Members' Allowances

The total allowances paid to members during the financial year 2013/14 were £240,236 (£245,487 in 2012/13) as analysed below. Details of payments to individual members are published annually in a local newspaper.

(£)	2013/14	2012/13
Basic allowance payments	115,683	116,842
Special responsibility payments	121,488	126,175
Childcare allowance	345	192
Travel and subsistence payments:		
Subsistence	170	17
Travel claims	543	796
Travel warrants	503	225
Taxi fares	177	221
Mileage claims	1,327	1,019
	240,236	245,487

Additional civic responsibility payments were made to the Mayor and Deputy Mayor outside of the Members Allowances Scheme. These totalled £5,700 (£5,570 in 2012/13).

13 Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (for example, Housing Benefits). Details of government grants received are set out in Note 33.

Members of the Council have direct control over the Council's financial and operating policies. During 2013/14 the Council gave grants totalling £232,091 (£245,949 in 2012/13) to voluntary organisations in which 8 (11 in 2012/13) members had an interest. None of these grants were unpaid at 31 March 2014 or at the end of the comparative period.

The relevant members did not take part in any discussion or decision relating to the grants. In addition one of these organisations has a long term loan from the Council as disclosed in Note 26 to the accounts.

No other material transactions have been identified for disclosure which are not already included elsewhere in this Statement of Accounts.

Notes to the Main Financial Statements

14 Employee Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	2013/14	2012/13
£50,000 to £54,999	1	3
£55,000 to £59,999	4	1
£60,000 to £64,999	5	9
£65,000 to £69,999	6	2
£70,000 to £74,999	3	4
£85,000 to £89,999	1	1
£90,000 to £94,999	1	2
£115,000 to £119,999	1	1
£135,000 to £139,999	1	0
Total	23	23

The remuneration of senior officers, who are included in the above table, is disclosed in more detail, including employer's pension contributions, below:

Financial year 2013/14

(£) Position / Name	Note	Salary	Allowances & Benefits in Kind	Redundancy	Pension Contribution	Total
Chief Executive (A Jackson)		117,859	0	0	21,922	139,781
Director of Resources (D Horspool)	1	91,891	10	44,939	17,092	153,932
Director of Environment (S Payne)		88,646	0	0	16,488	105,134
Director of Customer & Community Services (L Bisset)		91,891	0	0	17,092	108,983
Director of Business Transformation (R Ward)	2	20,970	0	0	3,900	24,870
Head of Corporate Strategy (A Limb)		65,951	0	0	12,267	78,218

Notes:

- 1 The Director of Resources left the Council on 31 March 2014.
- 2 The Director of Business Transformation joined the Council on 6 January 2014.

Notes to the Main Financial Statements

Between the 28 February and 31 March 2014 the Section 151 (Chief Financial Officer) role was undertaken by Alex Colyer, the Executive Director, Corporate Services and Chief Finance Officer of South Cambridgeshire District Council. The Council paid South Cambridgeshire £1,914 for this service.

Financial year 2012/13

(£) Position / Name	Salary	Allowances & Benefits in Kind	Pension Contribution	Total
Chief Executive (A Jackson)	117,859	45	21,922	139,826
Director of Resources (D Horspool)	91,891	0	17,092	108,983
Director of Environment (S Payne)	88,646	12	16,488	105,146
Director of Customer & Community Services (L Bisset)	91,891	62	17,092	109,045
Head of Corporate Strategy (A Limb)	63,778	0	11,863	75,641

The number of exit packages, analysed between compulsory redundancies and other departures, and the total cost per band are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total Number of exit packages by cost band		Total cost of exit packages in each band (£000)	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£0 - £20,000	17	10	1	0	18	10	70	117
£20,001 - £40,000	3	4	0	1	3	5	72	124
£40,001 - £60,000	2	3	0	0	2	3	102	136
£60,001 - £80,000	1	0	0	0	1	0	64	0
Total	23	17	1	1	24	18	308	378

The cost of exit packages includes the capital costs of early retirements (which are not relevant in every case) due to be paid to the Local Government Pension Scheme by the Council. These costs are disclosed as post employment benefit costs within non-distributed costs on the Comprehensive Income and Expenditure Statement.

Prior year bandings and the total cost of exit packages have been restated where there were differences between the estimated cost of departure as used in the note in last year's accounts and the actual cost.

Notes to the Main Financial Statements

15 Audit Costs

Cambridge City Council incurred the following fees relating to external audit.

(£000s)	2013/14	2012/13
Fees payable to the appointed external auditor in respect of:		
External audit services	68	86
Certification of grant claims and returns	11	13
Fees payable in respect of other services	0	21
	79	120

Notes to the Main Financial Statements

16 Property, Plant and Equipment

Financial year 2013/14

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2013	486,503	116,418	15,059	2,042	1,077	4,216	2,288	627,603
Opening adjustment between cost and accumulated depreciation	0	164	0	0	(25)	0	0	139
Additions	12,471	987	2,254	547	52	1,444	4,306	22,061
Revaluation increases/(decreases) recognised in the revaluation reserve	(2,477)	13,024	0	0	0	0	0	10,547
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	6,759	(1,742)	0	0	0	0	0	5,017
Derecognition – disposals	(4,133)	0	0	0	0	0	0	(4,133)
Derecognition – other	(627)	(85)	0	0	0	(1,166)	(16)	(1,894)
Assets reclassified (to) / from intangible assets	0	0	0	0	0	0	(38)	(38)
Assets reclassified (to) / from held for sale	0	(495)	(312)	0	0	(1,134)	0	(1,941)
Assets reclassified (to) / from other categories of property, plant and equipment	(724)	(1,099)	90	0	18	1,870	(175)	(20)
At 31 March 2014	497,772	127,172	17,091	2,589	1,122	5,230	6,365	657,341
Accumulated Depreciation and Impairment								
At 1 April 2013	0	(5,736)	(7,579)	(323)	(25)	(68)	0	(13,731)
Opening adjustment between cost and accumulated depreciation	0	(164)	0	0	25	0	0	(139)
Depreciation charge	(10,382)	(3,140)	(1,615)	(55)	0	(85)	0	(15,277)
Depreciation written out to the Revaluation Reserve	10,247	4,698	0	0	0	0	0	14,945
Derecognition – disposals	81	0	0	0	0	0	0	81
Derecognition – other	0	6	0	0	0	54	0	60
Assets reclassified to / from Held for Sale	0	0	292	0	0	12	0	304
Assets reclassified to / from other categories of property, plant and equipment	54	2	0	0	0	(35)	0	21
At 31 March 2014	0	(4,334)	(8,902)	(378)	0	(122)	0	(13,736)
Net Book Value								
At 31 March 2014	497,772	122,838	8,189	2,211	1,122	5,108	6,365	643,605
At 31 March 2013	486,503	110,682	7,480	1,719	1,052	4,148	2,288	613,872

Notes to the Main Financial Statements

Financial year 2012/13 (as restated)

(£000s)	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment
Cost or Valuation								
At 1 April 2012	491,714	116,538	16,427	1,832	919	0	4,320	631,750
Fully depreciated assets derecognised	0	(130)	(1,700)	0	0	0	0	(1,830)
Additions	9,903	2,875	971	112	93	0	1,510	15,464
Revaluation increases/(decreases) recognised in the revaluation reserve	(5,993)	1,097	0	0	0	3	0	(4,893)
Revaluation increases/(decreases) recognised in the surplus / deficit on provision of services	(3,977)	110	0	0	0	(43)	0	(3,910)
Derecognition – disposals	(3,276)	0	0	0	0	0	0	(3,276)
Derecognition – other	(480)	(172)	0	0	0	0	(25)	(677)
Assets reclassified (to) / from investment properties	0	30	0	0	0	0	(109)	(79)
Assets reclassified (to) / from held for sale	0	(3,849)	(733)	0	0	(364)	0	(4,946)
Assets reclassified (to) / from other categories of property, plant and equipment	(1,388)	(81)	94	98	65	4,620	(3,408)	0
At 31 March 2013	486,503	116,418	15,059	2,042	1,077	4,216	2,288	627,603
Accumulated Depreciation and Impairment								
At 1 April 2012	0	(4,598)	(8,331)	(249)	(25)	0	0	(13,203)
Fully depreciated assets derecognised	0	130	1,700	0	0	0	0	1,830
Depreciation charge	(10,478)	(2,922)	(1,630)	(50)	0	0	0	(15,080)
Depreciation written out to the Revaluation Reserve	10,331	1,595	0	0	0	18	0	11,944
Depreciation written out to the Surplus / Deficit on the Provision of Services	62	11	0	0	0	0	0	73
Assets reclassified to / from Held for Sale	0	0	705	0	0	0	0	705
Assets reclassified to / from other categories of property, plant and equipment	85	48	(23)	(24)	0	(86)	0	0
At 31 March 2013	0	(5,736)	(7,579)	(323)	(25)	(68)	0	(13,731)
Net Book Value								
At 31 March 2013	486,503	110,682	7,480	1,719	1,052	4,148	2,288	613,872
At 31 March 2012	491,714	111,940	8,096	1,583	894	0	4,320	618,547

Notes to the Main Financial Statements

Additions to assets under construction include £1,722,000 in respect of improvements to the Council's facilities at Parkside and Abbey Pools made and funded by Greenwich Leisure. These improvements have been treated as donated assets. The improved facilities became fully operational in April 2014.

17 Property Plant and Equipment - Revaluations

The Council carries out a rolling programme that ensures that Property, Plant and Equipment to be measured at fair value is revalued at least every five years.

Current year revaluations were carried out externally by:

Mr G Harbord MA MRICS IRRV(Hons) (Wilks Head and Eve)
 Ms A Briggs BA (Hons) MRICS (Bidwells LLP)
 Ms A Groom MA MRICS (Bidwells LLP)
 Ms C Sale BA (Hons) MSc MRICS (Bidwells LLP)

The basis for valuation is set out in the statement of accounting policies on page 101.

The following statement should be noted with regard to the valuations carried out by Bidwells LLP:

In reaching the final valuation figures, Bidwells has departed from the RICS Valuation – Professional Standards (January 2014) prepared by the Royal Institution of Chartered Surveyors. This is because the valuation of the portfolio is such that Bidwells has not been instructed to re-inspect any of the properties. They have therefore relied on information either obtained by them in 1994, 1999, 2004, 2009 and 2014, or subsequently provided by Cambridge City Council in order to reach their conclusions.

Bidwells did undertake an external visual inspection of the properties valued. The Council provides updated information on each property to Bidwells to supplement the detail they already hold and meetings are held to plan and discuss the valuations. These would highlight any significant changes.

The Council has chosen to depart from the Appraisal and Valuation Standards on the grounds of achieving best value for money in relation to property valuation work.

The following table shows the current carrying value of assets by the date of the most recent valuation:

(£000s)	Council Dwellings	Other Land and Buildings	Surplus Assets	Total
Valued at fair value as at:				
31 March 2014	497,772	108,659	0	606,431
31 March 2013	0	3,804	3,448	7,252
31 March 2012	0	4,304	1,660	5,964
31 March 2011	0	3,799	0	3,799
31 March 2010	0	2,272	0	2,272
Total Valuation	497,772	122,838	5,108	625,718

Notes to the Main Financial Statements

Vehicles, Plant and Equipment as short life operational assets, are held at historical cost less depreciation as a proxy for fair value.

18 Property, Plant and Equipment - Depreciation

The majority of the Council's Property, Plant and Equipment are council dwellings. These are placed into four useful-life bandings. Assets built before 1945 are assessed as having a remaining useful life of 28 years, those built between 1945 and 1974 have a remaining useful life of 38 years, those built between 1974 and 2010 have a remaining useful life of 48 years and those built after 2010 have a useful life of 80 years.

The useful lives of other assets are estimated as:

- Infrastructure Assets – 20 to 40 years
- Other buildings – 50 to 60 years
- Vehicles, Plant and Equipment – 3 to 20 years

19 Heritage Assets

(£000s)	Civic Regalia
Carrying value at 1 April 2012, 31 March 2013 and 31 March 2014	430

The collection of Civic Regalia was valued at market value for insurance purposes in November 2011 by Mr Peter Buckle FIRV.

The Council has assessed that the value at the end of each financial year from 2009 to 2014 would not be materially different from the figure obtained in November 2011.

Notes to the Main Financial Statements

20 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

(£000s)	2013/14	2012/13
Opening Capital Financing Requirement	215,604	213,852
Capital Expenditure		
Property, Plant and Equipment	20,339	15,464
Investment Properties	322	701
Intangible Assets	110	80
Non-current assets held for sale	152	0
Donated Assets		
Property, Plant and Equipment	1,722	0
Capital Expenditure Charged to the Comprehensive Statement of Income and Expenditure		
Revenue Expenditure Funded from Capital	1,576	1,788
De-minimus capital expenditure	614	580
Loans Advanced		
Private Sector Housing Improvement Loans	33	38
Sources of finance		
Capital receipts	(3,414)	(779)
Government grants and other contributions	(4,475)	(2,561)
Revenue and reserves	(16,677)	(13,559)
Closing capital financing requirement	215,906	215,604

Notes to the Main Financial Statements

21 Capital Commitments

At 31 March 2014, the Council was contractually committed to capital work valued at approximately £4.3 million, as shown in the following table. Capital expenditure under these contracts will be incurred in 2014/15, apart from £0.2 million which it is estimated will be spent in 2015/16.

(£000s)	31 March 2014	31 March 2013
Property, Plant and Equipment		
Clay Farm Community Centre	0	290
Mercury abatement	0	31
Vehicle asset replacements	87	25
Grand Arcade Car Park control room	0	1
Development land on Kings Hedges Road	42	164
Arbury Community Centre	0	80
Grand Arcade Annex Car Park – Drainage Gulleys	0	52
Refurbishment of Newmarket Road Cemetery Buildings	0	56
Roman Court	633	1,236
HRA New Build Properties	2,465	0
Logan's Meadow nature reserve extension	79	0
Grand Arcade pay on foot machines	168	0
Box Office ticketing system	58	0
Water play areas	351	0
Other works – less than £50,000 per contract	108	220
Investment Properties		
Lion Yard contribution to works	14	124
Kettle's Yard	40	0
Assets Held For Sale		
Land at Clay Farm	0	1,633
Revenue Expenditure Funded from Capital Under Statute		
Assessment Centre	0	241
Grants for Private Sector energy efficiency improvements	0	18
Community Development Grants Programme	260	225
	4,305	4,396

Notes to the Main Financial Statements

22 Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

(£000s)	2013/14	2012/13
Rental income from investment property	(7,740)	(7,866)
Direct operating expenses arising from investment property	503	703
Net gain	(7,237)	(7,163)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the receipt of income and the proceeds of disposal.

The following summarises the movement in the fair value of investment properties over the year.

(£000s)	2013/14	2012/13
Balance at start of the year	114,476	111,373
<i>Additions:</i>		
Subsequent expenditure	322	701
Net gains / (losses) from fair value adjustments	3,846	2,323
Disposals	(115)	0
<i>Transfers:</i>		
(To) / from Property, Plant and Equipment	0	(30)
Transfers from assets in the course of construction	0	109
Balance at the end of the year	118,529	114,476

Notes to the Main Financial Statements

23 Intangible Assets

The Council accounts for its software as intangible assets, where the software is not such an integral part of a particular IT system that it is accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £114,000 charged to revenue in 2013/14 relates to specialist software and was charged to relevant services in the Comprehensive Income and Expenditure Statement.

The movement on intangible asset balances during the year was as follows:

(£000s)	2013/14 Software licences	2012/13 Software licences
Gross Carrying Amount:		
At 1 April	1,081	1,061
Fully amortised assets derecognised	0	(60)
Transfer from assets in the course of construction	38	0
Purchases	110	80
At 31 March	1,229	1,081
Accumulated Amortisation		
At 1 April	(609)	(523)
Fully amortised assets derecognised	0	60
Amortisation for the period	(114)	(146)
At 31 March	(723)	(609)
Net Book Value		
At 31 March	506	472

Specialist software was purchased in 2013/14 relating to the Council's customer service centre operations and box office ticketing. The costs will be amortised over the expected life of the software.

Notes to the Main Financial Statements

24 Leases

Council as Lessee

Finance Leases

The carrying value of investment properties held under finance leases was £1,660,000 at 31 March 2014 (£1,645,000 at 31 March 2013). Secondary lease payments of £2,247 in each of 2012/13 and 2013/14 were accounted for as finance costs. This annual charge will continue until 2035.

These relate to industrial units held under finance leases are then leased out under operating leases and the total minimum lease payments are £80,632 at 31 March 2014 (£74,824 at 31 March 2013).

The Council leases in three car parks under long-term peppercorn leases. The carrying value of these car parks included in Property, Plant and Equipment was £23,957,500 at 31 March 2014 (£16,619,767 at 31 March 2013).

Operating Leases

The Council leases in a number of operational properties and some equipment under operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

(£000s)	31 March 2014	31 March 2013
Not later than one year	388	479
Later than one year and not later than five years	283	569
Later than five years	50	116
	721	1,164

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

(£000s)	2013/14	2012/13
Minimum lease payments	493	440

Council as Lessor

Operating Leases

The Council leases out commercial properties across the City under operating leases. The portfolio includes shops, industrial units and shopping centres.

Notes to the Main Financial Statements

The future minimum lease payments receivable, under leases which cannot be cancelled, are:

(£000s)	31 March 2014	31 March 2013
Not later than one year	4,192	4,305
Later than one year and not later than five years	11,835	12,311
Later than five years	99,104	102,039
	115,131	118,655

The minimum lease payments receivable do not include contingent rents such as those based on turnover. In 2013/14 £2,085,334 of contingent rents were receivable by the Council (2012/13 £2,251,756).

25 Short-Term and Long-Term Investments

(£000s)	2013/14		2012/13	
	Long Term	Short Term	Long Term	Short Term
Investments in Icelandic banks and their UK subsidiaries	987	1,278	1,734	794
Other investments	5,000	69,118	0	58,299
	5,987	70,396	1,734	59,093

Investments in Icelandic Banks and their UK Subsidiaries

Investments included in current assets and long-term assets in the Balance Sheet at 31 March 2014 include the following investments, the values of which have been impaired because of the financial difficulties experienced by Icelandic banks and their subsidiaries.

In October 2008, a number of Icelandic Banks and their UK subsidiaries went into administration.

The Council had £9m deposited between Landsbanki Islands hf and its UK subsidiary, Heritable Bank Plc, with varying maturity dates and interest rates as follows:

(£000s)	Original Investment Date	Original Maturity Date	Amount Invested (£000)	Interest Rate (%)
Heritable	09/01/2008	09/10/2008	1,000	5.65
Heritable	13/06/2008	22/12/2008	1,000	6.21
Landsbanki	30/06/2008	06/01/2009	2,000	6.22
Heritable	05/09/2008	05/03/2009	2,000	6.00
Landsbanki	01/07/2008	24/04/2009	1,000	6.35
Landsbanki	01/07/2008	22/05/2009	2,000	6.42
			9,000	

During 2012/13 Landsbanki Islands hf was renamed LBI hf.

Notes to the Main Financial Statements

All monies within these institutions are currently subject to their respective administration and receivership processes. The amount and timing of payments to depositors such as the Council is determined by the administrators / receivers.

Based on the latest information available, the Council considers that it is appropriate to make an impairment adjustment for the deposits based on the information outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

The reversal of impairment losses recognised in the Income and Expenditure Account in 2013/14 of £529,000 (2012/13 impairment losses of £66,000) have been calculated by discounting the assumed cashflows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

The overall position is summarised as follows:

(£000s)	2013/14		2012/13	
	Heritable Bank Plc	LBI hf	Heritable Bank Plc	LBI hf
Balance sheet carrying value				
Long term investments	0	987	0	1,734
Short term investments	101	1,177	421	373
Increase / (decrease) in impairment recognised in the Comprehensive Income and Expenditure account	(343)	(186)	15	51
Cash received	682	260	381	941

The deposits in Heritable were originally impaired by £1,244,000 and in LBI by £1,390,000 in 2008/09. In 2009/10 there was an additional impairment of £408,000 in respect of LBI and a reversal of the Heritable impairment of £212,000. In 2010/11 there was a further impairment of £42,000 in respect of LBI. In 2012/13 there was a further £15,000 impairment in respect of Heritable and £51,000 in respect of LBI.

Heritable Bank Plc

Heritable Bank Plc is a UK registered bank operating under Scottish law. The company was placed in administration on 7 October 2008. The cumulative expected recovery reflected in the 2012/13 accounts was 88%. During 2013/14 the council received a further dividend bringing the overall recovery to just over 94%. The administrators have not given any firm indication as to the likelihood of any further dividends but given the information available to it, the Council has assumed an overall recovery of 96.5%. Recoveries are expressed as a percentage of the Council's claim, which includes interest accrued up to 6 October 2008.

Notes to the Main Financial Statements

LBI hf

Following steps taken by the Icelandic Government in early October 2008 the then Landsbanki's domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki (now renamed LBI) being placed in the hands of a resolution committee.

Distributions are being made in a basket of currencies and to date, in sterling terms, the distributions total approximately 54% of the Council's claim. The Council expects to recover 100% of its claim.

The future pattern of distributions by the Winding Up Board is not known, but based on available information the Council has made the following assumptions in respect of the timing of recoveries:

August 2014	23.1%
December 2015	5.8%
December 2016	5.8%
December 2017	5.8%
December 2018	5.8%

Interest credited to the Comprehensive Income and Expenditure Statement in respect of these investments (but not actually received) is as follows:

(£000s)	2013/14	2012/13
Heritable Bank Plc	19	29
LBI hf	133	152

Further details on the Council's approach to managing credit risks are contained in Note 38.

26 Long-Term Debtors

Long-term debtors which fall due after a period of at least one year:

(£000s)	31 March 2014	31 March 2013	1 April 2012
Mortgages	1	3	8
Grand Arcade reverse lease premium	211	217	223
Private sector housing improvement loans	769	832	812
Sale of land at Kings Hedges	30	30	30
Long term loan – Kelsey Kerridge Sports Centre	11	26	38
Mortgage Repossessions Loans	7	0	0
	1,029	1,108	1,111

Notes to the Main Financial Statements

27 Assets Held for Sale

(£000s)	Current		Long Term	
	2013/14	2012/13	2013/14	2012/13
Balance at 1 April	841	0	3,354	0
Assets newly classified as held for sale:				
Property, plant & equipment	1,635	869	0	3,371
Transfers between current and long term assets held for sale	3,354	0	(3,354)	0
Assets sold	(1,355)	(28)	0	0
Enhancement expenditure	152	0	0	0
Impairment losses	(135)	0	0	(17)
Balance at 31 March	4,492	841	0	3,354

The net impairment loss recognised in 2013/14 of £135,000 includes an impairment charge of £152,000 in respect of land held at Clay Farm and a reversal of the £17,000 charge initially made in 2012/13 in respect of land at Latimer Close.

28 Debtors

(£000s)	31 March 2014	31 March 2013	1 April 2012
Central government bodies	14,449	679	885
Other local authorities	1,292	1,721	2,004
NHS bodies	10	16	28
Public corporations and trading funds	10	0	2
Council Tax payers (City share)	640	621	622
National Non Domestic Rate Payers (City Share)	381		
Council Tax payers (Precepting Bodies Share)	2,238	2,080	2,020
Housing tenants and leaseholders	578	465	470
Trade and other	2,292	2,494	2,048
	21,890	8,076	8,079

Notes to the Main Financial Statements

29 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

(£000s)	31 March 2014	31 March 2013	1 April 2012
Cash held by the Council	5	5	3
Bank current accounts	458	479	398
Bank deposits accounts	6,110	7,250	4,380
	6,573	7,734	4,781

30 Short-Term Creditors

(£000s)	31 March 2014	31 March 2013 (as restated)	1 April 2012 (as restated)
Central government bodies	(5,940)	(477)	(4,351)
Other local authorities	(1,667)	(527)	(1,112)
NHS bodies	0	(17)	0
Public corporations and trading funds	(3)	(22)	(19)
Other entities and individuals	(8,797)	(9,857)	(6,952)
	(16,407)	(10,900)	(12,434)

31 Receipts in Advance

(£000s)	31 March 2014	31 March 2013 (as restated)	1 April 2012 (as restated)
Cambridge City Council share of Council Tax receipts in advance	(357)	(358)	(365)
Cambridge City Council share of non-domestic rates receipts in advance	(597)	0	0
Capital grants receipts in advance	(452)	(1,072)	(677)
Housing Tenants and Leaseholders	(1,300)	(640)	(619)
Other	(3,608)	(1,922)	(1,737)
	(6,314)	(3,992)	(3,398)

Receipts in advance in respect of housing tenants and leaseholders were previously shown within creditors. The prior year comparatives for 31 March 2013 and 1 April 2012 have been restated for consistency.

Notes to the Main Financial Statements

32 Provisions

Insurance Provision

The insurance provision has been set aside to meet the estimated cost to the Council of outstanding insurance claims. However, the actual cost (if any) of individual claims and the timing of payments are uncertain and may be dependent upon the results of negotiation and/or legal action.

Under current insurance arrangements, the Council takes responsibility for meeting the first £10,000 of any liability or motor claim up to a total combined loss in any insurance year of £275,000. For property losses, the Council is responsible for meeting up to £150,000 of claims in respect of General Fund property from the provision and up to £250,000 for HRA property from the HRA. The Council's external insurers meet claims or losses in excess of these amounts.

Business Rates Appeals Provision

Since the introduction of the Business Rates Retention Scheme from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, both in the current financial year and earlier years, in proportion to their local shared of business rates income. The Council's share of business rates income is 40%.

A provision has therefore been recognised for the best estimate of the amount that will be repayable in respect of years up to 31 March 2014 following successful rating valuation appeals. This estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and historical data on successful appeals to date. The timing of the settlement of these appeals is uncertain as they are outside of the Council's control.

(£000s)	Insurance Provision	Business Rates Appeals Provision	Other Provisions	Total
Balance at 1 April 2013	(349)	0	(15)	(364)
Additional provisions made in 2013/14	(164)	(3,041)	(20)	(3,225)
Amounts used in 2013/14	111	0	6	117
Unused amounts reversed in 2013/14	127	0	0	127
Balance as at 31 March 2014	(275)	(3,041)	(29)	(3,345)

Notes to the Main Financial Statements

33 Grant Income

The Council credited the following significant grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

(£000s)	2013/14	2012/13
Credited to Taxation and Non Specific Grant Income		
Share of National Non-domestic Rates	0	(8,435)
Revenue Support Grant	(5,639)	(163)
Council Tax Freeze Grant	0	(171)
New Homes Bonus	(2,117)	(1,399)
New Burdens and Transitional Grants	(119)	(126)
Small Business Rate Relief Grant	(254)	0
Homelessness Grant	0	(575)
Donated Assets	(1,722)	0
Green Deal Capital Grant	(7,758)	0
Other Capital grants and contributions	(1,898)	(1,577)
	(19,507)	(12,446)
Credited to Services		
Council Tax Admin Subsidy	0	(214)
Council Tax Benefits Subsidy	0	(6,414)
Discretionary Housing Payments	(182)	(65)
Rent Allowance and Rent Rebates Admin Subsidy	(622)	(477)
Rent Allowance Subsidy	(18,051)	(17,180)
Rent Rebates Subsidy	(18,959)	(18,345)
Non HRA Rent Rebates Subsidy	(158)	(104)
	(37,972)	(42,734)

The Council has received a number of developer contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies to be returned to the developer. The balances at the year-end are as follows:

(£000s)	31 March 2014	31 March 2013
Capital Grants Receipts in Advance		
Due within 12 months	(452)	(1,072)
Due in more than 12 months	(5,321)	(4,397)
Total	(5,773)	(5,469)

Notes to the Main Financial Statements

34 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 4 and 5.

35 Unusable Reserves

(£000s)	31 March 2014	31 March 2013 (as restated)	1 April 2012
Deferred Capital Receipts	(45)	(60)	(77)
Revaluation Reserve	(72,434)	(48,019)	(41,815)
Capital Adjustment Account	(480,120)	(470,742)	(476,122)
Financial Instruments Adjustment Account	122	81	393
Pensions Reserve	95,201	92,967	78,945
Collection Fund Adjustment Account	3,197	157	158
Accumulated Absences Account	498	491	558
Total Unusable Reserves	(453,581)	(425,125)	(437,960)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by capital receipts. When the deferred cash settlement actually takes place, amounts are transferred to the Capital Receipts Reserve.

(£000s)	2013/14	2012/13
Balance at 1 April	(60)	(77)
Transfer to the Capital Receipts Reserve upon receipt of cash	15	17
Balance at 31 March	(45)	(60)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Notes to the Main Financial Statements

(£000s)	2013/14	2012/13 (as restated)
Balance at 1 April	(48,019)	(41,815)
Net (gains) / losses on revaluations during the year	(25,490)	(7,051)
Amounts written off to the Capital Adjustment Account		
Amounts to be transferred to capital adjustment account following reconciliation of new asset database	24	
Difference between fair value depreciation and historical cost depreciation	955	810
Accumulated gains on assets sold or scrapped	96	37
Balance at 31 March	(72,434)	(48,019)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

Notes to the Main Financial Statements

(£000s)	2013/14	2012/13 (as restated)
Balance at 1 April	(470,742)	(476,122)
Charges for depreciation and impairment of non-current assets	15,277	15,080
Revaluation losses on property, plant and equipment	(5,017)	3,901
Impairment losses on assets held for sale	135	17
Amortisation of intangible assets	114	146
Revenue expenditure funded from capital under statute and de minimus capital spend	2,190	2,368
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,260	3,871
Amounts to be transferred from revaluation reserve following reconciliation of new asset database	(24)	0
Depreciation in excess of historic cost transfer from revaluation reserve	(955)	(810)
Transfer from revaluation reserve on disposal of non-current assets	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,414)	(779)
Use of the Major Repairs Reserve to finance new capital expenditure	(7,870)	(3,424)
Application of grants and contributions to capital financing	(4,475)	(2,561)
Repayment of private sector housing loans	54	36
Private sector housing loans adjustment	0	(7)
Capital expenditure charged against the General Fund and Housing Revenue Account balances	(8,807)	(10,135)
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,846)	(2,323)
Balance at 31 March	(480,120)	(470,742)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions.

(£000s)	2013/14	2012/13
Balance at 1 April	81	393
Amortisation of debt redemption premium	0	(301)
Movement in fair value of private sector housing improvement loans	41	(11)
Balance at 31 March	122	81

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Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which is it directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on pension transactions are shown in note 39.

(£000s)	2013/14	2012/13
Balance at 1 April	92,967	78,945
Remeasurements of the net defined benefit liability/(asset)	(3,003)	10,104
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	10,185	8,750
Employer's pension contributions and direct payments to pensioners payable in the year	(4,948)	(4,832)
Balance at 31 March	95,201	92,967

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

(£000s)	2013/14	2012/13
Balance at 1 April	157	158
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(167)	(1)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different to the non-domestic rates income calculated for the year in accordance with statutory requirements	3,207	0
Balance at 31 March	3,197	157

Notes to the Main Financial Statements

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. The amounts accrued at the end of each year reflect untaken leave, time-off-in-lieu and flexitime balances. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

(£000s)	2013/14		2012/13	
Balance at 1 April		491		558
Settlement of or cancellation of accrual made at the end of the preceding year	(491)		(558)	
Amounts accrued at the end of the current year	498		491	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		7		(67)
Balance at 31 March		498		491

36 Contingent Liabilities and Assets

Contingent Liabilities

Compulsory Purchase Orders

Residential dwellings:

The Council compulsorily purchased a house in 2006/07. The obligation to compensate the previous owner arises when the claimant actually claims compensation and such amount is agreed or awarded by the Lands Tribunal. The claimant has 12 years from the date of purchase to make a claim for compensation and is entitled to the value of land and property, plus interest accrued in accordance with the interest rate set in the Land Compensation Act 1961. The value plus accumulated interest at 31 March 2014 is £222,461.

Legal Cases

There is an ongoing legal case in respect of a planning issue. A legal challenge by way of judicial review has been made and should legal proceedings find against the Council, it may be liable for some or all of the claimants' costs.

Notes to the Main Financial Statements

Property Search Fees

A group of Property Search Companies is seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims is at present £95,314 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behavior. It is not clear what the value of any such claim would be against the Council.

During early 2014 a further 4 companies have indicated to the Local Government Association (LGA) that they will be seeking refunds of a currently unspecified amount. All Councils are subject to these claims and are working collectively with the LGA and their appointed solicitors Bevan Brittan LLP.

Contingent Assets

VAT

HM Revenue and Customs (HMRC) v Isle of Wight and others

The above case has been appealed again following a judgement in October 2012. No final determination has yet been made as to whether the VAT liability for the provision of off-street car parking by local authorities should be VAT standard rated or classed as 'non-business' (and hence outside the scope of VAT). The Council has submitted, based on the possible final outcome of the case, claims for the repayment of £23.7 million of VAT (net of fees) paid over to HMRC in relation to off-street car parking since the start of VAT in April 1973. As at 31 March 2014 this claim remained outstanding pending the outcome of a further VAT tribunal. The Upper Tribunal heard the appeal on 10/11 April 2014 and the decision is awaited. This tribunal will be looking at the question of possible distortion of competition if the provision of off-street parking by local authorities was not subject to VAT but that provided by the private sector was.

Compound Interest

There have been a number of recent developments in relation to the ability of taxpayers to claim 'compound', as opposed to 'simple', interest on monies repaid (or to be repaid) to them by HMRC. Compound interest can far exceed that of simple interest and the Council has been advised that claims for compound interest can, potentially, go back to 1973. In view of the significant value of VAT repayment claims already made by the Council, both in relation to that still outstanding (as above) and those already repaid by HMRC, the Council has engaged a firm of lawyers to submit a claim for compound interest to the High Court. It is currently unclear when these claims will be determined. However, on 28 March 2014, the High Court handed down a judgment in favour of Littlewoods Retail Limited that EU law requires compound interest to be paid as a remedy for overpayment of VAT. HMRC are expected to appeal.

Notes to the Main Financial Statements

37 Financial Instruments

Categories of Financial Instrument

The following categories of financial instrument are carried in the balance sheet:

(£000s)	Long Term		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Investments				
Loans and receivables	5,987	1,734	70,396	59,093
Debtors				
Loans and receivables	1,029	1,109	11,668	3,478
Creditors & Receipts in Advance				
Financial liabilities at amortised cost	(5,321)	(4,397)	(15,294)	(14,294)
Long Term Borrowing	(213,654)	(213,654)	0	0
	(211,959)	(215,208)	66,770	48,277

Private Sector Housing Improvement Loans

The Council makes means-tested loans of up to £20,000 to individuals, secured on the value of their property, in order to fund major improvements. These loans are normally repayable on sale of the property. These loans are interest free and are therefore deemed to be soft loans. The notional interest rate used for these loans is based on the Council's prevailing cost of borrowing for a maturity loan of 5 years duration. No allowance is made for the risk that the loans might not be repaid as they are secured.

(£000s)	2013/14	2012/13
Balance sheet (fair) value as at 1 April	832	812
Nominal value of new loans recognised in the year	33	45
Interest – increase in discounted amount	17	20
Loans repaid	(54)	(36)
Fair value adjustments	(59)	(9)
Balance sheet (fair) value as at 31 March	769	832
Loan payments outstanding (nominal value) at 31 March	892	913

Notes to the Main Financial Statements

Income, Expense, Gains and Losses

The following items of income, expense, gain or loss are reflected in the Statement of Comprehensive Income and Expenditure in respect of financial instruments:

(£000s)	2013/14		2012/13	
	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables	Financial Liabilities at amortised cost	Financial Assets – Loans and Receivables
Interest expense	7,496	0	7,496	0
Reductions in fair value	0	59	0	9
Reversal of losses on impaired financial assets	0	(529)	0	0
Impairment losses	0	173	0	221
Total expense in Surplus or Deficit on the Provision of Services	7,496	(297)	7,496	230
Interest Income	0	(558)	0	(640)
Interest income accrued on impaired financial assets	0	(152)	0	(181)
Total income in Surplus or Deficit on the Provision of Services	0	(710)	0	(821)

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- ◆ An estimated interest rate at 31 March 2014 of 3.00% (1.87% at 31 March 2013) has been used to calculate the fair value of private sector housing improvement loans
- ◆ Estimated ranges of interest rates at 31 March 2014 of 3.37% to 3.41% (2.94% to 3.13% at 31 March 2013) for loans from the PWLB based on premature repayment rates at that date
- ◆ No early repayment is recognised
- ◆ Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- ◆ The fair value of trade and other receivables is taken to be the invoiced or billed amount
- ◆ The fair value of capital contributions received in advance is taken to be the amount received

Notes to the Main Financial Statements

The fair values are calculated as follows:

(£000s)	31 March 2014		31 March 2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial Liabilities at amortised cost				
Current liabilities	(15,294)	(15,294)	(14,294)	(14,294)
Long term liabilities	(5,321)	(5,321)	(4,397)	(4,397)
Long term borrowing	(213,654)	(218,575)	(213,654)	(232,650)
Loans and receivables:				
Long term debtors	1,029	1,029	1,109	1,109
Current debtors	11,668	11,668	3,478	3,478
Long term investments	5,987	5,986	1,734	1,734
Current investments	70,396	70,396	59,093	59,093

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date.

38 Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- ◆ Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- ◆ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- ◆ Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

How the Council manages those risks

The Council maintains principles for overall risk management, as well as approved policies covering specific areas, such as Treasury Management. The principles behind how the Council intends to manage overall credit, liquidity and market risk in its investments are contained within the Annual Treasury Management and Investment Strategy report, submitted to full Council before the start of each financial year. This strategy can be amended, but only by full Council. During 2013/14 the Council did not make any amendments to its investment strategy. These changes are summarised in the table below:

Notes to the Main Financial Statements

Counterparty	Limit
Single named Institution (Nationalised Banks, Local Authorities & UK Domiciled Banks excluding Santander)	Increased by £5m to £15m
UK Nationalised Group Limit	Increased by £7.5m to £22.5m
Certificates of Deposit (New)	£10m (Included within single counterparty bank limit)
AAA Money Market Funds	£10m total per fund

The increase in limits and diversification in using other financial instruments was necessary to offset the effects of further decreases in market interest rates without unduly increasing risk.

Credit risk

Credit risk arises from investments with banks and other financial institutions, as well as credit exposures to the Council's customers.

The Council seeks through the operation of its Treasury Management and Investment Strategy to minimise its exposure to risks in relation to investments.

The Council has, in 2013/14, continued with its suspension of lending to overseas financial institutions or their UK subsidiaries. The Council's current policy is to only lend to UK banks, building societies and other local authorities for up to twelve months in duration. This is in line with guidance from our treasury management advisers and in line with the Council's established Treasury Management Investment Strategy.

The Council has also maintained a limit on the total that may be invested within the same company group. The policy of having no limit on the total amount which may be invested in the Government's Debt Management Account deposit Facility (DMADF) continued in 2013/14.

The Council uses the 'creditworthiness service' provided by Capita. This service has been progressively enhanced and uses a sophisticated modelling approach using credit ratings from the following rating agencies – Fitch, Moodys and Standard and Poor's. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the appropriate duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

With the exception of the DMADF, limits are set for the amount that may be on deposit with any one institution. At 31 March 2014 these were: a maximum of £20 million with HSBC Bank Plc (the Council's bank), £15 million with other approved counterparties and a maximum of 1.5 times this limit may be invested, in total, with counterparties belonging to the same company group. The

Notes to the Main Financial Statements

Council also took advantage of using these limits in depositing funds within bank call accounts. This increased yield levels without prejudicing the Council's risk averse nature.

In light of the above investment strategy, the Council considers that it has taken all reasonable steps to reduce to a minimum any exposure to credit risks in relation to its investments at 31 March 2014 and that any residual risk cannot be quantified.

The following shows the original principal sums of investments at 31 March analysed by the nature of financial institution and remaining period to maturity:

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	
31 March 2014					
United Kingdom					
Banks	3,000	28,000	16,500	0	47,500
Building Societies	15,000	0	0	0	15,000
Local Authorities	4,500	2,000	0	5,000	11,500
Total	22,500	30,000	16,500	5,000	74,000

(£000s)	Maturity Band				Total
	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 2 years	
31 March 2013					
United Kingdom					
Banks	0	23,000	12,000	0	35,000
Building Societies	7,000	3,000	0	0	10,000
Local Authorities	13,200	0	0	0	13,200
Total	20,200	26,000	12,000	0	58,200

These tables exclude the investments in Heritable Bank and LBI as detailed in Note 25.

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The following analysis summarises the Council's assessment of its potential maximum exposure to credit risk (impairment allowance) in relation to debtors:

(£000s)	31 March 2014		31 March 2013	
	Gross Debt	Impairment Allowance	Gross Debt	Impairment Allowance
Long term debtors	1,029	0	1,109	0
Current and former tenants	1,711	1,259	1,523	1,205
Other debtors	3,714	357	3,465	306
	6,243	1,616	6,097	1,511

Long-term debtors include private sector housing improvement loans and council house mortgages. These debts are secured on properties.

The movement in the impairment allowance during the year can be summarised as follows:

(£000s)	31 March 2014	31 March 2013
Balance at 1 April	1,511	2,196
Increase in allowance for impairment	165	100
Balances written off during the year	(60)	(785)
Balance at 31 March	1,616	1,511

The Council does not generally extend credit to its customers beyond 21 days. At 31 March 2014, of the total debtor and deferred debtor balances of £6.2 million (£6.1 million at 31 March 2013), the past due amount was £2.1 million (£2.3 million at 31 March 2013) and can be analysed by age as follows:

(£000s)	31 March 2014	31 March 2013
Customer Debts		
Less than three months	385	368
Three to six months	115	446
Six months to one year	210	202
More than one year	1,361	1,286
Balance at 31 March	2,071	2,302

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board (PWLb). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

On 28 March 2012 the Council took out a number of fixed rate maturity loans with the PWLB to meet the cost of the HRA self-financing settlement due to central government. These loans had terms of between 26 and 45 years. The HRA business plan confirms the affordability of interest payments and the repayment of these loans on maturity and that the Council may be able to

Notes to the Main Financial Statements

consider earlier redemption if advantageous. However, this will not be considered in the short-term, due to current market conditions.

The maturity analysis of the loans is as follows:

(£000s)	31 March 2014	31 March 2013
Between 20 and 25 years	10,683	10,683
Between 25 and 30 years	53,413	53,413
Between 30 and 35 years	53,413	53,413
Between 35 and 40 years	53,414	53,414
Between 45 and 50 years	42,731	42,731
	213,654	213,654

Market risk

Interest rate risk

The Council is exposed to minimal risk in terms of its exposure to movements in interest rates. This is because the majority of its investments are at fixed rates. These investments are also of less than one year in duration and so changes to fair value will be minimal. The Council does, however, utilise bank deposit accounts for very short term cash deposits and the interest rate on this account moves in line with movements in the bank rate.

In general terms, a rise in interest rates would have the following effects:

- ◆ Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- ◆ Investments at fixed rates – the fair value of the assets will fall
- ◆ Loans at fixed rates – the fair value of liabilities will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. During 2013/14, if interest rates on the bank deposit accounts had been one percentage point higher, with all other variables held constant, the financial effect would have been an additional income of £341,000 (£178,000 in 2012/13).

Price risk

The Council does not invest in equity shares and so is not exposed to this risk.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies other than its exposure as detailed in Note 25.

39 Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Cambridgeshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the employer contributions payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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(£000s)	Local Government Pension Scheme	
	2013/14	2012/13 (as restated)
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	5,872	4,699
Past service costs (including curtailments)	112	260
Financing and Investment Income and Expenditure:		
Net interest cost	4,201	3,791
Total post employment benefit charged to the surplus or deficit on the provision of services	10,185	8,750
Other post employment benefit charged to the comprehensive income and expenditure statement		
Remeasurement of net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(3,806)	(13,163)
Changes in demographic assumptions	(4,486)	0
Changes in financial assumptions	11,047	23,412
Other experience changes	(5,758)	(145)
Total post employment benefit charged to the comprehensive income and expenditure statement	7,182	18,854
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the code	(2,234)	(14,022)
Employers' contributions payable to the scheme	4,948	4,832

Pensions Assets and Liabilities Recognised in the Balance Sheet

(£000s)	2013/14	2012/13
Present value of the defined benefit obligation	(253,978)	(241,392)
Fair value of plan assets	158,777	148,425
Net liability arising from defined benefit obligation	(95,201)	(92,967)

The net liability shows the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £95.2 million has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Notes to the Main Financial Statements

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

(£000s)	2013/14	2012/13 (as restated)
Opening balance at 1 April	(241,392)	(208,232)
Current Service Cost	(5,872)	(4,699)
Past service cost	(112)	(260)
Interest Cost	(10,873)	(9,991)
Contributions by scheme participants	(1,559)	(1,501)
Benefits paid	6,303	6,235
Estimated unfunded benefits paid	330	323
Remeasurements – changes in financial assumptions	(11,047)	(23,412)
Remeasurements – other experience	5,758	145
Remeasurements – changes in demographic assumptions	4,486	0
Closing balance at 31 March	(253,978)	(241,392)

Reconciliation of fair value of the scheme (plan) assets:

(£000s)	2013/14	2012/13 (as restated)
Opening balance at 1 April	148,425	129,287
Interest income on plan assets	6,672	6,200
Contributions by scheme participants	1,559	1,501
Employer Contributions	4,618	4,509
Contributions in respect of unfunded benefits	330	323
Benefits paid	(6,303)	(6,235)
Unfunded benefits paid	(330)	(323)
Remeasurements – return on assets excluding amount in net interest expense	3,806	13,163
Closing balance at 31 March	158,777	148,425

Notes to the Main Financial Statements

Local Government Pension Scheme asset breakdown

(£000s)	Fair value of scheme assets	
	2013/14	2012/13
Cash and cash equivalents	2,117	3,560
Equity instruments:		
Consumer	13,864	13,924
Manufacturing	13,103	11,960
Energy & utilities	5,627	5,138
Financial Institutions	16,018	12,255
Health and care	4,681	4,209
Information technology	9,495	7,512
Other	441	555
Private Equity	9,445	10,205
Investment Funds and Unit Trusts:		
Equities	51,053	51,063
Bonds	24,202	17,577
Other	8,731	10,467
Closing balance at 31 March	158,777	148,425

All scheme assets have quoted prices in active markets except for private equities.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed for the County Council Fund by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2013.

Notes to the Main Financial Statements

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	2012/13
Mortality Assumptions:		
<i>Longevity at 65 for current pensioners</i>		
Men	22.5	21.0
Women	24.5	23.8
<i>Longevity at 65 for future pensioners</i>		
Men	24.4	22.9
Women	26.9	25.7
Rate of inflation	3.6%	2.8%
Short term rate of increase in salaries	1.0%	1.0%
Long term rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%
Take up of option to convert annual pension into retirement lump sum (in respect of pre April 2008 service)	25.0%	25.0%
Take up of option to convert annual pension into retirement lump sum (in respect of post April 2008 service)	63.0%	63.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other factors remain constant. The assumptions in longevity for example assume that life expectancy increases for men and women. In practice this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumption at 31 March 2014	Approximate % increase to Employer Liability	Approximate Monetary amount (£000s)
0.5% decrease in the real discount rate	10%	25,575
1 year increase in member life expectancy	3%	7,617
0.5% increase in the salary increase rate	3%	8,441
0.5% increase in the pensions increase rate	7%	16,768

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Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve an appropriate funding level over the period until 31 March 2017.

The next triennial revaluation is due to be completed as at 31 March 2016.

There are a number of changes to the Local Government Pension Scheme from 1 April 2014 which include the introduction of a new career average revalued earnings scheme to pay pensions.

The Council expects to pay contributions of £4,879,000 in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is:

	Weighted average duration
Active members	25.2
Deferred members	23.2
Pensioner members	11.6
Total	19.7

The weighted average duration is the weighted average time until the payment of expected future discounted cashflows, determined based on membership and the financial and demographic assumptions as at the most recent actuarial valuation. These durations are as they stood at the previous formal valuation as at 31 March 2013.

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40 Cashflow Statement – Operating Activities

The cash flows for operating activities include the following items:

(£000s)	2013/14	2012/13
Housing rents	18,284	17,034
Revenue Support Grant	5,639	164
Council share of national non-domestic rates from national pool	0	8,435
Council Share on non-domestic rates income collected	37,406	0
Non domestic rates – tariff payment to central government	(32,286)	0
New Homes Bonus	2,117	1,777
Housing Benefit subsidies	36,779	35,834
Council share of Council Tax receipts	6,558	6,872
Cash paid to and on behalf of employees	(32,719)	(33,025)
Payments to the capital receipts pool	(1,009)	(1,036)
Housing Benefit paid	(18,539)	(17,615)
Interest received	521	584
Interest paid	(7,496)	(7,496)
Other cashflows	6,648	3,633
	21,903	15,161

41 Cashflow Statement – Investing Activities

The cash flows for investing activities are as follows:

(£000s)	2013/14	2012/13
Purchase of property, plant and equipment, investment property and intangible assets	(19,676)	(16,246)
Purchase of short-term and long-term investments	(222,780)	(141,490)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,461	4,578
Proceeds from short-term and long-term investments	207,922	140,612
Other receipts from investing activities	2,190	3,555
	(24,883)	(8,991)

Notes to the Main Financial Statements

42 Cashflow Statement – Financing Activities

(£000s)	2013/14	2012/13
Other receipts from financing activities	1,819	(3,217)
Net cash flows from financing activities	1,819	(3,217)

Other receipts from financing activities reflect movements in the cash collected for Non-Domestic Rates and Council Tax collected by the Council as an agent for others.

43 Prior Period Adjustments

HRA Dwelling Revaluation Gains

The accounting entries in respect of HRA dwelling revaluation gains in 2012/13 have been reviewed. As a result of this review a net credit of £4,171,000 is required to other HRA gross expenditure as reported in the Comprehensive Income and Expenditure Statement in respect of revaluation gains previously credited to the revaluation reserve in error.

Change to Accounting Standards - IAS19 – Employee Benefits

The *2013/14 Local Authority Accounting Code of Practice* introduced some changes in accounting for pensions as a result of amendments made to IAS19 on Employee Benefits.

The standard renames the actuarial gains and losses included in 'other comprehensive income and expenditure' as 'remeasurements' and a net interest expense is recognised in the Income and Expenditure Statement as a financing cost. The interest expense is calculated by applying the discount rate to the net defined benefit liability. This single charge replaces the finance charge and expected return on plan assets previously used.

The changes to IAS19 have no impact on the overall pension liability as at 31 March 2013 as previously reported.

There are also revised disclosure requirements for pensions, including a more detailed analysis of the breakdown of the pension scheme assets. These revised requirements are reflected in Note 39.

Notes to the Main Financial Statements

The effect of the revaluation and pension adjustments on the comparative 2012/13 accounts can be summarised as follows:

(£000s)	As previously stated	Restated
Effect on Comprehensive Income and Expenditure Statement:		
Gross Expenditure on HRA Services	33,259	29,088
Financing and Investment Income:		
Expenditure	19,001	12,801
Income	(18,244)	(11,010)
Other Comprehensive Income and Expenditure:		
Surplus on revaluation of Property, Plant & Equipment Assets	(11,222)	(7,051)
Remeasurements of the net defined pension liability (previously described as actuarial gains and losses)	11,138	10,104
Movement in Reserves Statement:		
(Surplus) / Deficit on the Provision of General Fund Services	5,510	6,544
(Surplus) / Deficit on the Provision of HRA Services	2,806	(1,365)
Other Comprehensive Income and Expenditure	(84)	5,179
Adjustments between accounting basis and funding basis for the General Fund	(4,577)	(5,611)
Adjustments between accounting basis and funding basis for the HRA	(2,718)	1,453
Unusable Reserves (Note 35)		
Revaluation Reserve	(52,190)	(48,019)
Capital Adjustment Account	(466,571)	(470,742)

The comparative figures in other notes to the accounts, including notes 4,9, 16 and 39 have been adjusted as necessary, together with the HRA statement. These restatements have no effect on the balance on the General Fund or HRA as at 31 March 2013 as previously reported.

Reclassification - receipts in advance – housing tenants and leaseholders

Receipts in advance in respect of housing tenants and leaseholders were previously shown within creditors. The prior year comparatives for 31 March 2013 of £640,000 and 1 April 2012 of £619,000 have been reclassified from creditors to receipts in advance.

Notes to the Main Financial Statements

44 Impact of the adoption of new accounting standards on the financial statements – effective for the 2014/15 financial year

The 2014/15 Local Authority Accounting Code of Practice (the 2014/15 Code) includes a number of changes resulting from new and revised arrangements in respect of the accounting for groups, joint arrangements and disclosure of involvement in other entities. The changes in the 2014/15 Code result from these standards:

IFRS10 Consolidated Financial Statements

IFRS11 Joint Arrangements

IFRS12 Disclosures of Involvements with Other Entities

IAS27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures

The Council does not currently prepare group accounts and does not expect material amendments to the financial statements as published in 2013/14 as a result of the changes in the 2014/15 Code.

The 2014/15 Code also introduces changes resulting from *IAS32 Financial Instruments Presentation* and *IAS1 Presentation of Financial Statements*. These amendments are not expected to lead to significant changes to the Statement of Accounts.

45 Date the Statement of Accounts were authorised for issue

The unaudited accounts were authorised for issue by the Council's Section 151 officer on yy June 2014. This is the date up to which events after the balance sheet date have been considered.

Additional Financial Statements and Information

Additional Financial Statements and Information

Housing Revenue Account Income and Expenditure Account

This statement sets out details of the income and expenditure in relation to the provision of Council dwellings.

(£000s)	Note	2013/14	2012/13 (as restated)
Income			
Dwelling rents	2	(34,175)	(32,817)
Non-dwelling rents		(689)	(655)
Charges for services and facilities		(2,801)	(2,672)
Contributions towards expenditure		(478)	(477)
Reimbursement of costs		(19)	(21)
Total		(38,162)	(36,642)
Expenditure			
Repairs & Maintenance		6,060	7,680
Supervision & Management		6,536	6,369
Rents, rates, taxes & other charges		370	251
Depreciation & impairment of non-current assets		4,290	14,727
Negative HRA Subsidy	3	0	(12)
Increased provision for bad debts		125	73
Debt Management Costs		0	0
Total		17,381	29,088
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(20,781)	(7,554)
HRA services share of Corporate and Democratic Core		295	180
HRA services share of Non Distributed Costs		0	43
Net Cost of HRA Services		(20,486)	(7,331)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Surplus) or deficit on sale of HRA non-current assets		(2,102)	(742)
Other income		0	(13)
Impairment losses on assets held for sale		(17)	17
Interest payable on PWLB loans		7,494	7,494
Interest and Investment Income		(1,246)	(474)
Capital Grants and Contributions Receivable		(549)	(316)
(Surplus) / Deficit for the year on HRA services		(16,906)	(1,365)

Additional Financial Statements and Information

Statement of Movement on the Housing Revenue Account Balance

(£000s)	Note	2013/14	2012/13 (as restated)
(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		(16,906)	(1,365)
Adjustments between accounting basis and funding basis under statute			
Gain or loss on sale non-current assets		2,102	742
Other capital receipts		0	13
Impairment loss on assets held for sale		17	(17)
Net revaluation losses on property, plant and equipment		6,734	(4,020)
Revenue expenditure funded from capital under statute and de-minimus capital expenditure		(404)	(116)
Capital Contributions unapplied credited to the Comprehensive Income and Expenditure Statement		549	316
Application of grants to capital financing transferred to the Capital Adjustment Account		0	0
Movement in investment property value		756	15
Movement in short term accumulating absences		(1)	0
Net charges made for retirement benefits made in accordance with IAS19		(1,018)	(766)
Employers Contributions payable to the Cambridgeshire County Council Pension Fund		858	787
Difference between amortisation of debt redemption premium determined in accordance with the Code and those determined in accordance with statute	5	0	301
Sums to be debited or credited to the HRA that are not income or expenditure in accordance with GAAP		6	10
Capital Expenditure funded by the Housing Revenue Account	8	6,406	7,447
Transfer from the Major Repairs Reserve	10	(2,941)	(3,259)
Net (increase) / decrease before transfers to or from reserves		(3,842)	88
Transfers to reserves		457	1,391
Total movement on Housing Revenue Account for the year		(3,385)	1,479
Housing Revenue Account balance brought forward		(5,495)	(6,974)
Housing Revenue Account balanced carried forward		(8,880)	(5,495)

Additional Financial Statements and Information

Notes to the Housing Revenue Account

1 Introduction

The Local Government and Housing Act 1989 set the framework within which the HRA operates. The account is 'ringfenced', meaning that authorities do not have discretion to fund any HRA deficits from the General Fund. Transfers from the General Fund can only be made at the direction of the Secretary of State.

2 Gross Rent

This represents income receivable in respect of all dwellings within the HRA, gross of rent rebates and net of rents not payable when properties are empty. As at 31 March 2014, 3.1% of properties were vacant (2.1% at 31 March 2013).

The average rent payable in 2013/14 was £100.46 per week based on 49 payable rent weeks (£92.88 per week on a 52 week basis). The average rent payable in 2012/13 was £94.69 per week based on 48 payable rent weeks (£87.41 per week on a 52 week basis).

3 Housing Revenue Account Subsidy Payable

Following the introduction of Self-Financing for the Housing Revenue Account from April 2012, the Council is no longer required to pay Housing Revenue Account Subsidy to Central Government to match the surplus on the notional HRA.

There were therefore no transactions in 2013/14, and those made in 2012/13 related solely to any retrospective adjustments in respect of subsidy payable for 2011/12.

4 Asset Values within the HRA

(£000s)	Asset Values		Depreciation	
	31 March 2014	1 April 2013	2013/14	2012/13
Dwellings	497,772	486,503	10,382	10,478
Other Land and Buildings	7,749	9,267	124	118
Infrastructure	1,276	1,005	27	26
Vehicles, Plant and Equipment	187	0	0	0
Investment Properties	5,193	4,423	0	0
Assets held for sale – long term	0	230	0	0
Assets held for sale - current	1,368	841	0	0
Surplus Assets	5,109	4,148	86	0
Assets in the course of construction	3,761	1,925	0	0
	522,415	508,342	10,619	10,622

Additional Financial Statements and Information

The value of council dwellings at 1 April 2013, based on vacant possession, was £1,276 million (1 April 2012: £1,261 million). Vacant possession value is the estimate of the total sum that would be received if all the dwellings were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the vacant possession valuation. The difference between the two values shows the economic cost of providing housing at less than market value.

Net revaluation loss reversals on Property, Plant and Equipment of £6.7 million have been credited to the Comprehensive Income and Expenditure Statement in 2013/14 (net revaluation losses charged of £4.0 million in 2012/13). Remaining valuation movements in the value of property, plant and equipment have been charged to the revaluation reserve.

An impairment loss of £17,000 has been reversed and credited to the HRA in respect of land at Latimer Close.

De-minimis capital expenditure of £404,000 (2012/13 £116,000) has been charged to revenue during 2013/14.

5 Loan Interest Charges

The Council made an HRA self-financing settlement payment of £213.6 million on 28 March 2012. To meet this payment the Council took out a number of long-term maturity loans with the Public Works Loan Board (PWLB).

Under HRA self-financing the Council has adopted a 'two-pool' approach so that HRA self-financing loans and the resultant interest are directly attributable to the HRA. This has led to external interest charges of £7,494,000 being charged to the HRA in 2013/14 (£7,494,000 in 2012/13).

Additional Financial Statements and Information

6 Housing Stock

The Council was responsible for an average stock of 7,260 dwellings during the year. The stock as at 31 March 2014 was as follows:-

	31 March 2014	31 March 2013
Houses & bungalows	3,621	3,658
Flats	2,917	2,966
Sheltered housing units	507	520
Shared ownership properties	39	39
Total	7,084	7,183
The change in stock during the year can be summarised as follows:		
Stock at 1 April	7,274	7,320
Right to buy sales	(60)	(41)
Open market disposals	(1)	0
Net shared ownership changes	(0)	(1)
New properties	33	2
Other changes	1	(6)
Demolitions	(44)	0
Stock as at 31 March	7,203	7,274
Vacant awaiting re-development/disposal	(119)	(91)
Lettable Stock at 31 March	7,084	7,183

Those properties which are vacant awaiting demolition or significant redevelopment are no longer treated as lettable HRA dwellings and are therefore included in Property, Plant and Equipment as Other Land and Buildings, or as Assets Held for Sale as appropriate.

7 Rent Arrears

Rent arrears at 31 March 2014 were £1,587,742 (£1,523,287 at 31 March 2013) and as a proportion of gross rent income have decreased marginally from 4.30% in 2012/13 to 4.29% in 2013/14.

At 31 March 2014 a provision for bad debt of £1,259,257 was held in the balance sheet (£1,204,518 at 31 March 2013).

Additional Financial Statements and Information

8 Financing of Capital Expenditure

(£000s)	2013/14	2012/13
Capital receipts	1,850	362
Major repairs reserve	7,870	3,424
Revenue financing of capital	6,406	7,447
Capital contributions and grants	549	306
	16,675	11,539

Capital expenditure in the year was all in relation to HRA stock apart from £296,000 (£79,000 in 2012/13) which was spent on HRA infrastructure assets, £0 on other land and buildings (£270,000 in 2012/13), £13,000 on investment properties (£0 in 2012/13), £119,000 on vehicles, plant and equipment (£0 in 2012/13) and £3,372,000 (£1,172,000 in 2012/13) on assets in the course of construction.

9 Capital receipts within the HRA

(£000s)	2013/14	2012/13
Dwellings	6,106	4,441
Land	1,500	13
	7,606	4,454

10 Major Repairs Reserve (MRR)

(£000s)	2013/14	2012/13
Balance at 1 April	(5,111)	(1,171)
Transfer to MRR during the year	(10,619)	(10,623)
Amount transferred from MRR to HRA	2,941	3,259
HRA capital expenditure on housing charged to MRR	7,870	3,424
Balance at 31 March	(4,919)	(5,111)

11 Contributions from the Pensions Reserve

The Housing Revenue Account is charged with an attributable share of current service costs in line with IAS19. The difference between this cost and employer contributions payable is then appropriated from the pensions reserve so that the overall amount to be met from rent and government subsidy reflects employer contributions payable by the Council.

12 Prior Period Adjustments

The prior period figure for depreciation and impairment of non-current assets has been restated as detailed in Note 43 to the main statement of accounts. This restatement has no impact on the balance on HRA reserves as previously stated.

Additional Financial Statements and Information

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

(£000s)	Note	2013/14		2012/13	
		Council Tax	Non-domestic rates	Council Tax	Non-domestic rates (as restated)
Council Tax Income					
Council Tax	2	(57,416)	0	(60,238)	0
Contributions towards previous year's estimated Collection Fund deficit					
Cambridge City Council		(140)	0	(87)	0
Cambridgeshire County Council		(895)	0	(548)	0
Cambridgeshire Police & Crime Commissioner		(145)	0	(89)	0
Cambridgeshire Fire Authority		(50)	0	(30)	0
Non-domestic rates Income	3	0	(93,851)	0	(90,365)
Total Income		(58,646)	(93,851)	(60,992)	(90,635)
Council Tax Expenditure					
Council Tax Precepts and Demands					
Cambridge City Council		6,394	0	6,831	0
Cambridgeshire County Council		41,397	0	44,238	0
Cambridgeshire Police & Crime Commissioner		6,696	0	7,157	0
Cambridgeshire Fire Authority		2,418	0	2,432	0
Impairment of Council Tax debts	4	268	0	331	0
Non-domestic rates Expenditure					
Share of non-domestic rates					
Cambridge City Council		0	37,309	0	0
Cambridgeshire County Council		0	8,394	0	0
Cambridgeshire Fire Authority		0	933	0	0
Non-domestic rates due to central government		0	46,636	0	89,496
Transitional protection payments		0	454	0	0
Impairment of non-domestic rates debts	5	0	315	0	638
Provision for non-domestic rates appeals	5	0	7,601	0	0
Allowable costs of non-domestic Rates Collection		0	227	0	231
Total Expenditure		57,173	101,869	60,989	90,365
(Surplus)/Deficit for the year		(1,473)	8,018	(3)	0
(Surplus)/Deficit as at 1 April		1,381	0	1,384	0
(Surplus)/Deficit as at 31 March	6	(92)	8,018	1,381	0

Additional Financial Statements and Information

Notes to the Collection Fund

1 General

This statement shows the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts for income relating to Council Tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of collection are accounted for in the General Fund.

2 Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight 'valuation bands' (A to H) based on the estimated price it would have achieved if it had been sold at 1 April 1991. The Council Tax is set for band D properties and the tax for other bands is calculated as a proportion of the band D tax. The band D Council Tax for the year ended 31 March 2014 was set at £1,512.16, made up as follows:

(£000s)	2013/14	2012/13
Cambridge City Council	169.90	166.57
Cambridgeshire County Council	1,100.07	1,078.65
Cambridgeshire Police Authority	177.93	174.51
Cambridgeshire Fire Authority	64.26	59.31
Total	1,512.16	1,479.04

The following table shows the calculation of the Council Tax Base for 2013/14 (used to determine the tax needed at Band D to finance spending).

Council Tax Base 2013/14

Valuation Band	Total number of dwellings on the Valuation List	Total Equivalent Dwellings (after discounts, exemptions etc)	Ratio to Band D	Band D Equivalents
A	2,980	2,185	6/9	1,457
B	9,574	7,625	7/9	5,931
C	17,641	15,097	8/9	13,419
D	8,621	7,329	9/9	7,328
E	4,942	4,237	11/9	5,179
F	3,100	2,655	13/9	3,835
G	2,845	2,310	15/9	3,850
H	446	256	18/9	513
Total	50,149	41,694		41,512

Additional Financial Statements and Information

The income of £57.4 million in 2013/14 was receivable from the following sources:

(£000s)	2013/14	2012/13
Billed to Council Tax payers	57,421	53,875
Council Tax benefits	(32)	6,337
Ministry of Defence Contributions in Lieu	27	26
Total	57,416	60,238

3 National Non-Domestic Rates Income

The local rateable value as at 31 March 2014 was £257,745,401 (£255,874,011 at 31 March 2013) and the Uniform Business Rate in 2013/14 was set by the government at 47.1p (2012/13, 45.8p).

4 Provision for Non-Payment - Council Tax

A contribution of £267,768 (£331,457 in 2012/13) was made to a provision for bad debts. During 2013/14, £2,057 of previously irrecoverable debts written off were written back (2012/13 a write off of £1,843).

5 Provision for Non-Payment and appeals - Non-Domestic Rates

A contribution of £57,899 (a reduction of £196,834 in 2012/13) was made to a provision for bad debts. Irrecoverable debts of £256,945 (£834,640 in 2012/13) were written off.

A provision for appeals relating to rateable value reductions in respect of 2013/14 and prior years has been established following the introduction of the new business rates retention scheme for local government. At 31 March 2014 this provision is £7,600,735.

6 Collection Fund Surpluses and Deficits

The surplus of £92,275 at 31 March 2014 (£1,381,288 deficit at 31 March 2013), which related to Council Tax, will be redistributed in subsequent financial years to Cambridgeshire County Council, Cambridgeshire Police and Fire Authorities and the Council in proportion to their shares of the total Council Tax raised.

Additional Financial Statements and Information

The total Council Tax Collection Fund surplus is therefore shared as follows:

(£000s)	31 March 2014	31 March 2013
Council Tax:		
Cambridge City Council	(10)	157
Cambridgeshire County Council	(68)	1,005
Cambridgeshire Police & Crime Commissioner	(11)	163
Cambridgeshire Fire Authority	(3)	56
	(92)	1,381

The deficit of £8,018,301 at 31 March 2014 in respect of non-domestic rates will be recovered in subsequent financial years from Cambridgeshire County Council, Cambridgeshire Fire Authority, Central Government and the Council in proportion to their shares of business rates income.

The total non-domestic rates deficit is therefore shared as follows:

(£000s)	31 March 2014	31 March 2013
Non-Domestic Rates:		
Cambridge City Council	3,207	0
Cambridgeshire County Council	722	0
Cambridgeshire Fire Authority	80	0
Central Government	4,009	0
	8,018	0

**Statement of Accounting Policies and Glossary of Financial
Terms and Abbreviations**

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of non-domestic rates and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that are convertible to known amounts of cash with an insignificant risk of change in value (no loss of interest). The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, ie, in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. No MRP is currently charged as the debt acquired in relation to HRA self-financing is outside the scope of this regime.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is credited and the HRA balance is debited with a sum equal to depreciation on all HRA non-current assets. The

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

HRA balance is credited and the Capital Adjustment Account debited with the depreciation charged on dwelling assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

6 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi-leave and time off in lieu for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring..

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Cambridgeshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (based on the yields of the constituents of the iBoxx £ Corporates AA index and the Council's weighted average duration).
- The assets of the Cambridgeshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into the following components:
 - Service Cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - Net Interest on the net defined benefit liability – ie the net interest expense for the Council. This is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - Remeasurements comprising:
 - The return on plan assets excluding amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Cambridge City Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the

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year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows than as benefits are earned by employees.

7 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Account.

8 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the account.

9 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the

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net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

10 Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

The Council currently only has assets classified as 'loans and receivables.'

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest-free loans for private sector housing improvements (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a change made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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11 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licence) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are

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posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13 Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

14 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated, but assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee and the fair value of the property, plant or equipment at lease inception is above the Council's de-minimis levels of £2,000 for vehicles and £15,000 for other items. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the

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Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de-minimis level of £2,000 has been adopted for vehicles and £15,000 for all other items. Assets that cost less than these limits are classified as revenue, rather than capital expenditure.

The Council is paying 7% of the infrastructure costs of Clay Farm, which is being developed for housing, net of the contributions made towards these costs by affordable housing providers. The Council is paying the infrastructure costs gross and receiving a credit in relation to the contribution made by affordable housing providers separately. The Council accounts for 93% of the gross costs as an enhancement to its land, recognising a net debtor or receipt in advance at the end of each financial year dependant on the credits received in respect of affordable housing providers. The Council does not consider the accounting for these costs net of affordable housing contributions leads to any material misstatement.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance and therefore will not increase the cash flows of the Council. In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where

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gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower end of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. Housing sold under the Right to Buy legislation is not reclassified as Assets Held for Sale as its primary purpose remains as a dwelling until the point of disposal and it is only considered significantly more likely than probable that a disposal will actually occur very close to the disposal itself. The carrying value of housing sold under right to buy remains the same as if it had been transferred to assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets

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without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

18 Heritage Assets

Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Civic Regalia

The collection of civic regalia includes ceremonial maces, chains of office and other civic items. These items are reported in the balance sheet at insurance valuation which is based on market values. These valuations are reviewed regularly to ensure that they are current. These items are deemed to have indeterminate lives and high residual values so the Council does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where there is physical deterioration, breakage or doubts as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policy on impairment of non-current assets.

The Council does not normally make any purchases or disposals of these items. Further information on the most significant items in the collection can be found on the Council's website.

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19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus/deficit on the

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provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

23 Foreign Exchange Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date that the transaction was effective. Where amounts in foreign currency are outstanding at the year end they are converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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Glossary of Financial Terms and Abbreviations

Accounting Period

The period of time covered by the accounts, normally 12 months commencing on 1 April for local authorities.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortisation

A measure of the consumption of the value of intangible assets, based on the remaining economic life.

Capital Expenditure

Expenditure on new assets such as land and buildings, or on enhancements to existing assets which significantly prolong their useful life or increase their value.

Capital Receipt

Income from the sale of capital assets such as council houses, land or other buildings.

Cash Equivalents

Cash equivalents are investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent Liabilities

Potential liabilities which are either dependent on a future event or cannot be reliably estimated.

Creditors

Amounts owed by the Council at 31 March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

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Debtors

Amounts owed to the Council which are collectable or outstanding at 31 March.

Depreciation

A measure of the consumption of the value of non-current assets, based on the remaining economic life.

Effective rate of interest

The rate of interest that will discount the estimated cash flows over the life of a financial instrument to the amount in the balance sheet at initial measurement.

Equity instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (e.g. an equity share in a company.)

Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

Financial Asset

A right to future economic benefits controlled by the Council. Examples include bank deposits, investments, trade receivables and loans receivable.

Financial Liability

An obligation to transfer economic benefits controlled by the Council. Examples include borrowings, financial guarantees and amounts owed to trade creditors.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Government Grants

Payments by central government towards local council expenditure. They may be specific, for example Housing Benefit subsidy, or general such as Revenue Support Grant.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Heritage Assets

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.

Impairment

The term used where the estimated recoverable amount from an asset is less than the amortised cost at which the asset is being carried on the balance sheet.

Non-current assets

Assets which can be expected to be of use or benefit the Council in providing its service for more than one accounting period.

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Outturn

Refers to actual income and expenditure or balances as opposed to budgeted amounts.

Precepts

The amount which a local council which cannot levy a council tax directly on the public (for example a County Council or Police Authority) requires to be collected on its behalf.

Provisions

Monies set aside for liabilities which are likely to be incurred but where exact amounts or dates are uncertain.

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities.

Revenue Expenditure

Spending on day to day items including employees' pay, premises costs and supplies and services.

Revenue Expenditure Funded From Capital Under Statute

Expenditure which legislation allows to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Revenue Support Grant

Grant paid by central government to a local council towards the costs of its services.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. This specifies the principals and practices of accounting required to give a 'true and fair' view of the financial position and transactions of a local authority.

Statement of Accounting Policies & Glossary of Financial Terms and Abbreviations

Abbreviations used in the accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Practice
HRA	Housing Revenue Account
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
SERCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives and Senior Managers

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Ms R Pritchard-Wooles
Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

05 March 2014

Dear Ms Pritchard-Wooles

Understanding how the Civic Affairs Committee gains assurance from management

I am writing in response to your letter of 11 February 2014 in my capacity as Chair of the Civic Affairs Committee.

I have considered the questions that you raised, consulted appropriate officers and set out responses on behalf of the Committee below.

1. How does the Civic Affairs Committee, as 'those charged with governance' at the Authority, exercise oversight of management's processes in relation to:

- *Undertaking an assessment of risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)*

Management's overall assessment of the risks that the financial statements may be materially misstated is reflected by the inclusion, in the corporate risk register, of identified risks, control measures in place and any additional actions required to mitigate those risks. Members of Civic Affairs have the role of overseeing the effective management of risk by officers. In effect this means that they agree the Strategy, framework and process put forward by officers. The Risk Management Strategy was last formally presented to the Committee in March 2013. Updates, for example arising from internal audit work, are provided as necessary.

Civic Affairs also approves the Internal Audit Plan (usually presented in March each year) and receives reports on the Annual Review of the Effectiveness of Internal Audit and the Annual Opinion of the Head of Internal Audit (in June each year) to review and challenge. In addition, the Committee receives a mid-year audit opinion progress report.

The Council's financial statements are prepared substantially from information held in its Financial Management System together with information held on other systems which feed into it. The Internal Audit work, which the Committee approves and receives reports upon, includes review of the Council's key financial systems and processes in order to gain assurance that appropriate systems of control are in place and operating effectively.

- *Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist*

The work of Internal Audit includes identifying those systems or transactions which may be more susceptible to fraud and these areas are appropriately covered by the Internal Audit Plan which Civic Affairs approves. Any significant issues which arise from audit reports may be reported either to the committee or direct to the relevant scrutiny committee, as appropriate.

- *Communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority Code of Conduct)*

Employees are required to follow the Council's Employee Code of Conduct (available on the intranet), the latest version of which was approved by Civic Affairs in March 2011. Further specific amendments in relation to gifts and hospitality were approved by the Committee in June 2013.

Fraud and irregularity investigations are reported annually in June to Civic Affairs in the Annual Report on Prevention of Fraud and Corruption Policy. This includes a summary of investigations into benefit fraud, theft and any whistleblowing allegations.

- *Encouraging employees to report their concerns about fraud*

There is a whistleblowing policy, which staff are made aware of and which is available on the intranet. Civic Affairs receives a summary of whistleblowing activity as part of the Annual Report on Prevention of Fraud and Corruption Policy.

- *Communicating to you the processes for identifying and responding to fraud or error?*

Fraud and irregularity investigations are normally reported annually to Civic Affairs. This covers Internal Audit work as well as that of the Revenue and Benefits Service Fraud Prevention Team.

The Leader of the Council and relevant Executive Councillor receive copies of the final versions of all Internal Audit reports. In addition, final reports are available on

request to other Councillors and arrangements are being made to enable secure access to these via the intranet.

2. How does the Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

As outlined above, the Committee oversees management processes in relation to the risk of fraud and weaknesses in internal control through the monitoring of Internal Audit activity and the setting of risk management strategy.

3. Is the Committee aware of any:

- *Breaches of, or deficiencies in, internal control;*

Internal Audit report on any identified deficiencies in internal control as part of their audit work. The outcome of this work in respect of 2012/13 was summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion at the meeting in June 2013. The overall conclusion was that Cambridge City Council has a fundamentally sound governance framework from which those charged with governance can gain assurance. The only significant control weakness identified related to the arrangements for the management of contracts and projects and this is reflected in the Annual Governance Statement (AGS) action plan.

The Committee also critically reviews the AGS and associated action plan to ensure any significant governance issues are appropriately addressed.

The outcome of internal audit's work in respect of 2013/14 will be summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion and Annual Governance Statements (AGS) at the meeting in June 2014. The mid-year audit opinion progress report (reported in November 2013) identified no critical actions arising from audit findings.

In December 2012 Council officers identified errors in the budget forecasts contained within the September 2012 Medium Term Strategy (MTS), which understated the Council's spending requirements. As a result, the process and key systems which underpin the budgeting and forecasting process were reviewed by both Council officers and the Council's external auditors, Ernst & Young.

The reviews provided assurance with regard to the process followed to produce revised estimates, and established an action plan to further strengthen the Council's control processes for the future. These actions have been implemented, and Internal Audit have reviewed the process adopted for the 2014/15 Budget to provide additional assurance.

- *Actual, suspected or alleged frauds during 2013/14?*

Investigations into alleged fraud are summarised in the Annual Report on the Prevention of Fraud and Corruption Policy presented annually to the Committee.

The Committee and Internal Audit are not aware of any frauds which would have a material impact on the financial statements.

4. Is the Committee aware of any organisational or management pressure to meet financial or operating targets?

The Council uses a number of financial and operating targets; for example, Cost Centre Managers and Directors are expected to manage their budgets within cash limits. However, targets are flexed as appropriate and there is a revised budget process in each financial year which is designed to identify and manage unavoidable budget variances and agree appropriate remedial actions.

5. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2013/14?

There are specific legal responsibilities on the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to report on aspects of compliance with relevant laws and regulations.

Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by other inspection agencies.

The process for compiling the Annual Governance Statement includes consideration of compliance with laws and regulations.

The Committee is not aware of any non-compliance which could have a material impact on the financial statements.

6. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?

The Committee is not aware of any actual or potential litigation or claims that would have a material impact on the financial statements. As part of the preparation of the financial statements for 2013/14 officers will consider the accounting treatment of such items and any which are significant will be reported to the Committee.

7. How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Local Authorities derive their powers from statute. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (albeit within certain limits set by statute/central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government for the continuation of the services.

In addition the financial position of the Council also indicates that the going concern basis is appropriate:

- The Council has significant income-generating net assets (£485 million at 31 March 2013). These net assets include a significant property portfolio.
- Cash deposits and short term investments exceeded £88 million at 21 February 2014.
- The Council has significant usable reserves (£60 million at 31 March 2013).
- The Council has a detailed medium term financial strategy which ensures the achievement of a balanced budget and financial position across a five year period and provides for a minimum and target level of General Fund Reserves. Similar financial planning is undertaken for the Housing Revenue Account.
- Longer term projections are also made to demonstrate sustainability over a 25 year period and to highlight any significant longer-term implications of budget proposals and decisions.

Yours sincerely

Councillor Colin Rosenstiel
Chair of Civic Affairs Committee

Mr R Pritchard-Wooles
Ernst & Young LLP
One Cambridge Business Park
Cowley Road
Cambridge CB4 0WZ

20 March 2014

Dear Ms Pritchard-Wooles

Understanding Management Processes and Arrangements

I am writing in response to your letter of 11 February 2014 regarding the above.

I have considered the questions that you raised, consulted appropriate colleagues, and to the best of my knowledge set out below my responses to each of the points in turn.

(1) What are management processes in relation to:

- *Undertaking as assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)*

The Council's overall assessment of the risks that the financial statements may be materially misstated is reflected by the inclusion, in the corporate risk register, of identified risks, control measures in place and any additional actions required. The Council's risk register provides a real-time overview of all risks identified, and the register is formally reviewed at key stages in the year. This oversight helps ensure that any changes to control measures are identified and / or actions agreed and delivered to mitigate risks.

The Internal Audit Plan is designed to allow Internal Audit to offer an opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes. The plan has been broken down into a number of areas:

- Core systems assurance work. This work covers the Council's key financial systems and provides external audit with assurance on their control.
- Annual governance and assurance work;
- Corporate/cross cutting audit;
- Key contracts and projects; and
- Departmental specific audits.

The programme of audit work for 2013/14 was agreed by Civic Affairs in March 2013.

The Council's financial statements are prepared substantially from information held in its Financial Management System together with information held on other systems which feed into it.

Internal Audit's work includes review of the Council's fundamental financial systems in order to gain assurance that the systems of financial control are in place and operating effectively.

Cumulative monthly budgetary control reports are prepared and distributed electronically to cost centre managers and Directors. Variances from budget over £10,000 are highlighted. Overall budget variances, together with explanations of individual major variances (those over £20,000) are reported to Senior Leadership Team and to Executive Councillors at key points throughout the year.

The financial statements are reconciled to the Oracle Financial Management system and the outturn reports distributed to management to ensure the consistency and integrity of the data.

- *Identifying and responding to risks of fraud in the Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist*

The work of Internal Audit includes identifying those systems or transactions which may be more susceptible to fraud and these areas are appropriately covered by the Internal Audit Plan.

The corporate risk register will also reflect areas where there is a greater susceptibility to fraud, and actions taken to mitigate such risks.

This is supplemented by the work undertaken as part of the National Fraud Initiative (NFI), using data matching to identify issues for investigation.

- *Communicating to employees its views on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct)*

Employees are required to follow the Council's Employee Code of Conduct which is available on the intranet. A number of minor updates will be published and publicised to staff in March 2014. Employees are further governed by the Council's HR policies which are also available on the intranet.

All offers of gifts and hospitality, regardless of whether the offer was accepted or declined, must be recorded and the records are regularly reviewed. Additional guidance on this topic is available to employees in the form of a set of 'Frequently Asked Questions'.

Guidance and training is available in areas where there may be specific ethical/probity considerations such as procurement.

- *Encouraging employees to report their concerns about fraud*

There is a Whistleblowing policy which staff are made aware of and which is available on the intranet. This is supplemented by other HR policies which are all available on the intranet.

Third parties are also able to report concerns through the Council's complaints procedure which includes an Independent Complaints Investigator.

- *Communicating to the Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud and error.*

Fraud and Irregularity investigations are normally reported annually to Civic Affairs and will next be reported in June 2014. This covers Internal Audit work as well as that of the Revenue and Benefits Services Fraud Prevention Team.

The Head of Internal Audit, Directors, the Leader of the Council, relevant Executive Councillor and the Council's External Auditors receive copies of the final versions of all Internal Audit reports. Copies of Executive Summaries are sent to the Chief Executive and the Council's Monitoring Officer; in addition, final reports are available on request to other Councillors and arrangements are being made to enable secure access to these via the intranet.

(2) What are Management's views about whether there are areas within the organisation that are at risk of fraud?

Management ensures that there is appropriate internal control and segregation of duties over areas which are considered to be at a higher risk of fraud.

For example:

Treasury Management transactions require authorisation by two senior officers using bank security devices. Monthly treasury management activity is reported to the Executive Councillor for Customer Services and Resources and Leader of the Council.

There are specific controls over the input and validation of invoices for payment and strict segregation of these duties from cheque and BACS payment authorisations, which are undertaken by authorised senior managers. There are also specific controls over the creation of new suppliers records within the financial management system.

The payment of Council Tax and Housing benefits is also an area susceptible to fraud and the Council has a specific Revenue and Benefits Fraud Prevention Team.

(3) Does Management have knowledge of any actual or suspected or alleged instances of fraud?

Management is not aware at this time of any actual, suspected or alleged instances of fraud which are likely to have a material effect on the council's financial statements.

(4) Is Management satisfied that internal controls to prevent and detect fraud, including segregation of duties, exist and work effectively?

The Internal Audit Plan is designed to give assurance that internal controls are working effectively. The Head of Internal Audit will report his opinion in relation to 2013/14 to Civic Affairs in June 2014. However, based on the audit opinion progress report presented to Civic Affairs in November 2013 and Internal Audit Reports finalised and issued since that date, Management is not aware of any significant concerns.

(5) Are there any deficiencies in internal control?

Internal Audit report on deficiencies in internal control as part of their audit work. The outcome of this work in respect of 2013/14 will be summarised and reported to Civic Affairs as part of the Head of Internal Audit's Annual Audit Opinion and Annual Governance Statements (AGS) at the meeting in June 2014. The mid-year audit opinion progress report identified no critical actions arising from audit findings and at this time there are no further finalised audit reports with critical actions.

In December 2012 Council officers identified errors in the budget forecasts contained within the September 2012 Medium Term Strategy (MTS), which understated the Council's spending requirements. As a result, the process and key systems which underpin the budgeting and forecasting process were reviewed by both Council officers and the Council's external auditors, Ernst & Young.

The reviews provided assurance with regard to the process followed to produce revised estimates, and established an action plan to further strengthen the Council's control processes for the future. These actions have been implemented, and Internal Audit have reviewed the process adopted for the 2014/15 Budget to provide additional assurance.

(6) Are you aware of any instances where controls have been overridden?

Management is not, at this time, aware of any deliberate overriding of controls which could have a material effect on the financial statements.

(7) Is there any organisational or management pressure to meet financial or operating targets?

The Council uses a number of financial and operating targets. For example, Cost Centre Managers and Directors are expected to manage their budgets within cash limits. However, targets are flexed as appropriate and there is a revised budget process in each financial year which is designed to identify unavoidable budget pressures and agree appropriate remedial actions.

(8) Are there any particular areas of the accounts that are more susceptible to false entries or omissions or other forms of manipulation? Are management aware of any such manipulation having occurred?

There are no particular areas of the accounts that Management considers to be susceptible to manipulation. No officers are incentivised on the basis of financial performance. Management is not aware of any such manipulation having occurred.

(9) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2013/14?

The Council's Constitution sets out how budgetary and policy decisions are made. Officers are required to ensure compliance with relevant laws and regulations and all reports include a section on legal implications which must be completed.

There are specific legal responsibilities on the Council's Statutory Officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to report on aspects of compliance with relevant laws and regulations.

Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by other inspection agencies.

(10) Are there any actual or potential litigation or claims that would affect the financial statements?

As part of the closedown process the Council will assess the adequacy of provisions for liabilities arising from current or potential future litigation and claims. The Council will also consider whether there are any contingent liabilities which may require disclosure.

(11) How does management satisfy itself that is appropriate to adopt the going concern basis in preparing the financial statements?

Local Authorities derive their powers from statute. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

The abolition of an authority or the transfer of some of its services could bring the going concern assumption into question. However, the Code of Practice on Local Authority Accounting makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. Even if assets are to be taken from an authority, with perhaps no compensation, the continued use of the property for the public benefit means that the authority does not need to consider the restriction on its own ability to make use of the property from the going concern perspective.

In addition to these statutory considerations, the financial position of the Council also indicates that the going concern basis is appropriate:

- The Council has significant net assets (£485 million at 31 March 2013.) These net assets include a significant property portfolio.
- Cash deposits and short term investments exceed £88 million at 21 February 2014.
- The Council has significant usable reserves (£60 million at 31 March 2013.)
- The Council has a detailed Medium Term Financial Strategy which ensures the achievement of a balanced budget and financial position across a five year period and provides for a minimum and target level of General Fund Reserves. Similar financial planning is undertaken for the Housing Revenue Account.
- Longer term projections are also made to demonstrate sustainability over a 25 year period and to highlight any significant longer-term implications of budget proposals and decisions.

Yours sincerely

Alex Colyer
Section 151 Officer

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CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Finance
 Head of Human Resources

TO: Civic Affairs Committee

25/06/2014

WARDS: All

LOCAL GOVERNMENT PENSION SCHEME - EMPLOYERS DISCRETIONS

1 INTRODUCTION

- 1.1 The paper outlines Cambridge City council's proposed policy statement on Employer Discretions for the Local Government Pension Scheme.

2. RECOMMENDATIONS

- 2.1 to approve the proposed policy statement on employer discretions (Appendix A)
- 2.3 to authorise the Head of Human Resources and Director of Business Transformation to determine decisions relating to the merits of individual cases
- 2.4 that Council officers will continue to review the statement every 3 years and / or in line with changes to the Local Government Pension Scheme (LGPS) as advised by the Local Government Pensions Committee (LGPC) and the Administering Authority (Cambridgeshire County Council), and any recommended changes will go before Civic Affairs for approval.

3. BACKGROUND

- 3.1 The Local Government Pension Scheme (LGPS) legislation has a number of discretionary areas on which Employing Authorities (i.e. Cambridge City Council) have to determine and publish a policy.
- 3.2 The Council's last review of LGPS Employer Discretions was undertaken in 2012.
- 3.3 The introduction of the Local Government Pension Scheme (April 2014) has resulted in the introduction of additional employer discretions which require formal policy approval

- 3.4 In reviewing the applicable regulations, the Council sought advice from a Local Government Association (LGA) senior pensions advisor.
- 3.5 Appendix A contains details of Cambridge City Council's Employing Authority Discretionary Powers, the relevant LGPS Regulations and the recommended decisions. Appendix A also includes a statement on Injury Allowances following the introduction of new legislation relating to this.
- 3.6 Where a case is to be treated on its merits, it will be subject to the approval of the Head of Human Resources and the Director of Business Transformation. Under the Council's constitution the Director of Business Transformation is the nominated person *"To take such action as may be necessary in relation to superannuation and the payment of pensions on behalf of the Council as employing authority in relation to its employees, former employees and to Cambridgeshire County Council as administering authority; except that, where the Council is entitled to exercise a discretion, the Director of Business Transformation is authorised to act under this paragraph only in accordance with principles approved by the Council."*

4. **CONSULTATIONS**

Local Government Employers (LGE) – Pensions Advisor
Trade Unions – GMB and Unison
Director of Business Transformation

5. **IMPLICATIONS**

(a) **Financial Implications**

There are no significant changes from the existing discretions recommended in respect of financial implications.

Where individual decisions are made potential costs will vary depending on the personal circumstances of each employee involved, their reason for leaving and the appropriate discretions. It is therefore impossible to give an accurate prediction of costs.

(b) **Staffing Implications**

This report deals with pension discretions for employees and former employees. There are no direct staffing implications as a result of the recommendations in this report.

(c) **Equal Opportunities Implications**

This report deals with pension discretions for employees and former employees; access to pension is normally from age 55 onwards other than for ill health. The LGPS is a national scheme and is open to all employees.

(d) **Environmental Implications**

There are no direct environmental implications as a result of the recommendations in this report.

(e) **Procurement**

There are no procurement implications as a result of this report

(f) **Consultation and communication**

(g) **Community Safety**

There are no community safety implications as a result of the recommendations in this report.

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Existing Employers Discretions – as minute 12/55/Civ/
- Pension Position Statement – Finance Intranet
- What is Pensionable Pay document – Finance Intranet
- Flexible Retirement Policy – HR Intranet
- LGE – LGPS Discretions Guide

To inspect these documents contact Karl Tattam on extension 8161

The author and contact officer for queries on the report is Karl Tattam on extension 8161.

Report file:

Date originated: 16 June 2014

Date of last revision: 16 June 2014

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**Cambridge City Council
Local Government Pension Scheme
Employers Discretions**

Recommended for Approval by Civic Affairs 25th June 2014

Purpose

To allow Cambridge City Council to comply with its duties within the Local Government Pension Scheme Regulations, by ensuring that the Council has a published Statement of Policy covering the certain discretionary powers available to the Council.

Regulations Covered

The Councils Discretions policy addresses current employer discretions within the following regulations:

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme Regulations (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme Regulations 1997 (as amended)
- The Local Government Pension Scheme Regulations 1995 (as amended)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)
- Discretions under the Local Authorities (Members' Allowances) (England) Regulations 2003 [SI 2003/1021]
- The Local Government (Discretionary Payments)(Injury Allowances) Regulations 2011

Monitoring & Review

Council officers will review this statement every 3 years and / or in line with changes to the Local Government Pension Scheme (LGPS) as advised by the Local Government Pensions Committee (LGPC) and the Administering Authority (Cambridgeshire County Council). Any recommended changes will go before Members for approval.

The operation and effectiveness of this statement will be monitored by the Director of Business Transformation and the Head of Human Resources, with a view to addressing any issues identified and agreeing improvements. The Trades Unions will be consulted about any proposals.

Appendix A

Regulations Key and Timeline

- Discretions from 1.4.14 in relation to post 31.3.14 active members (excluding councillor members) and post 31.3.14 leavers (excluding councillor members), being discretions under:
 - the Local Government Pension Scheme Regulations 2013 **[prefix R]**
 - the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 **[prefix TP]**
 - the Local Government Pension Scheme (Administration) Regulations 2008 **[prefix A]**
 - the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) **[prefix B]**
 - the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 **[prefix T]**
 - the Local Government Pension Scheme Regulations 1997 (as amended) **[prefix L]**
 - Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08 and before 1.4.14, being discretions under:
 - the Local Government Pension Scheme (Administration) Regulations 2008 **[prefix A]**
 - the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) **[prefix B]**
 - the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 **[prefix T]**
 - the Local Government Pension Scheme Regulations 1997 (as amended) **[prefix L]**
 - Discretions under the Local Government Pension Scheme Regulations 1997 (as amended) in relation to active councillor members and any other scheme members who ceased active membership on or after 1.4.98 and before 1.4.08 **[Prefix C]**
 - Discretions under the Local Government Pension Scheme Regulations 1995 (as amended) in relation to scheme members who ceased active membership before 1.4.98 **[Prefix D]**
 - Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended) **[Prefix E]**
 - Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended) **[Prefix ET]**
- * *These employer discretions are subject to a written policy under Local Government Pension Regulations*

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Key to Type of Discretion

Membership, Aggregation & Contribution Discretions	Membership
Additional Membership Benefits; Augmentation & Final Pay	Additional Benefits
Extension of Time Limits	Time Limits
Recovery and forfeiture of Contributions (Criminal Offences, Fraud & Misconduct)	Recovery & Forfeiture
Types of Retirement (Early Payment, Flexible Retirement & Actuarial Reduction)	Retirement
Ill Health	Ill Health
Redundancy	Redundancy
Apportioning Compensatory Added Years	Added Years
Redundancy	Redundancy

Appendix A

Discretions from 1.4.14. in relation to post 31.3.14. active members (excluding councillor members) and post 31.3.14. leavers (excluding councillor members), being discretions under:

- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

No.	Discretion	Regulation	Cambridge City Council Discretion	Type of Discretion
1.	Determine rate of employees' contributions	R9(1) & R9(3)	CCC has a position statement, which details how it will determine employee contribution rates; the statement has been agreed with the Trade Unions and communicated to employees. This will be reviewed on a regular basis and is published on the Council's Intranet.	Membership
2.	Whether, how much, and in what circumstances to contribute to a shared cost APC scheme	R16(2)(e)* & R16(4)(d)*	<p>Cambridge City Council will only contribute to a shared cost APC where:</p> <ul style="list-style-type: none"> -an active member returns from a period of authorised leave of absence -the member does not, within 30 days of returning from the leave of absence, make an election to buy-back the amount of pension 'lost; during the that period of leave of absence -the member subsequently makes an election to do so and it can be demonstrated that the reason for the member missing the original 30 day deadline was because the member had not been made aware of that deadline -the election is made no more than 6 months after the member returns from the period of leave of absence or such longer period as Cambridge City Council may deem reasonable in any individual case. <p>A decision on whether the member meets all of the above criteria (and on whether the 6 month period referred to should be extended in any individual case) will be taken by the Director of Business Transformation and where it is agreed that the conditions are met, Cambridge City Council will contribute 2/3rds of the cost of buying back the 'lost' pension via a SCAPC.</p>	Additional Benefits
3.	Whether, how much, and in what circumstances to contribute to shared cost AVC arrangements entered into on or after 1/4/14	R17(1) & definition of SCAVC in RSch 1	Cambridge City Council will not enter into a shared cost AVC arrangement.	Additional Benefits

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4.	Whether, how much, and in what circumstances to continue to contribute to a shared cost AVC arrangement entered into before 1/4/14	TP15(1)(d) & A25(3)	This discretion is not applicable as Cambridge City Council did not enter into any such shared cost AVC arrangement.	Additional Benefits
5.	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership (where AVC arrangement was entered into before 13/11/01)	TP15(1)(b) & L66(8) & former L66(9)(b)	An extension of the time limit will only be granted where the member has not been notified of the potential additional service that may be purchased. Where this is the case CCC will extend the time limit to one month from the date of notification of the potential service credit	Time Limits
6.	No right to return of contributions if member left due to offence of a fraudulent character or grave misconduct unless employer directs a total or partial refund is to be made	R19(2)	Cambridge City Council will direct a refund of contributions less any debt owed to the Council by the member.	Recovery & Forfeiture
7.	Specify in an employee's contract what other payments or benefits, other than those specified in R20(1)(a) and not otherwise precluded by R20(2), are to be pensionable	R20(1)(b)	CCC does not provide any payments or benefits deemed pensionable, outside those determined in R20(1)(a) which states " <i>all the salary, wages, fees and other payments paid to the employee</i> " with the exception of Salary Sacrifice schemes. A document entitled what is pensionable pay is published on the Council's intranet.	Membership
8.	In determining Assumed Pensionable Pay, whether a lump sum payment made in the previous 12 months is a "regular lump sum"	R21(5)	In assessing Assumed Pensionable Pay (APP) Cambridge City Council will not include in the calculation any regular lump sum payments.	Membership
9.	Whether to extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with a <u>new</u> employment	R22(8)(b)	Cambridge City Council will extend the 12 months period: a) where the Director of Business Transformation agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration b) where the Director of Business Transformation agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate	Time Limits

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			<p>administering authority (e.g. the election form was lost in the post)</p> <p>c) the member has pre 1 April 2014 membership and the Director of Business Transformation agrees the available evidence indicates that, due to maladministration, the member had not been informed of the implications of having benefits aggregated and would, in consequence, suffer a detriment to their pension benefits (for example, where member's whole-time equivalent pensionable pay on commencing with CCC is, in real terms after allowing for inflation, significantly less than the whole-time equivalent pensionable pay upon which the deferred benefits were calculated).</p>	
10.	<p>Whether to extend the 12 month option period for a member to elect that deferred benefits should not be aggregated with an ongoing concurrent employment</p>	R22(7)(b)	<p>Cambridge City Council will extend the 12 months period:</p> <p>a) where the Director of Business Transformation agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration</p> <p>b) where the Director of Business Transformation agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate administering authority (e.g. the election form was lost in the post)</p> <p>c) the member has pre 1 April 2014 membership and the Director of Business Transformation agrees the available evidence indicates that, due to maladministration, the member had not been informed of the implications of having benefits aggregated and would, in consequence, suffer a detriment to their pension benefits (for example, where member's whole-time equivalent pensionable pay on commencing with CCC is, in real terms after allowing for inflation, significantly less than the whole-time equivalent pensionable pay upon which the deferred benefits were calculated).</p>	Time Limits
11.	<p>Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement)</p>	R30(6)* & TP11(2)	<p>CCC has issued a Flexible Retirement Policy, which is available to all employees. The Flexible Retirement Policy is published on the Council's intranet.</p> <p>Where flexible retirement has been granted, employees are required to take all accrued benefits to date.</p>	Retirement
12.	<p>Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement</p>	R30(8)*	<p>CCC does not waive actuarial reduction on benefits paid upon flexible retirement.</p> <p>The Council's flexible retirement policy is published on the Council's intranet.</p>	Retirement
13.	<p>Whether to waive, in whole or in</p>	R30(8)*	<p>Cambridge City Council will not agree to waive actuarial reduction where</p>	

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	part, actuarial reduction on benefits which a member voluntarily draws before normal pension age (where member only has post 31/3/14 membership).		members choose to voluntarily draw their benefits on or after age 55 and before normal pension age except in circumstances where Cambridge City Council considers it is in its financial or operational interests to do so or there are compelling compassionate reasons for doing so. Each case: Will be considered on the merits of the financial and/ or operational business case put forward, or Will be considered on the merits of the compassionate case put forward, and Will require the approval of the Director of Business Transformation	Retirement
14.	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.	TPSch 2, paras 1(2) and 2(2)*	Cambridge City Council will not agree to switch the 85 year rule on in full where members chose to voluntarily draw their benefits on or after age 55 and before age 60 except in circumstances where Cambridge City Council considers it is in the financial or operational interests to do so. Each case: Will be considered on the merits of the financial and/ or operational business case put forward, and Will require the approval of the Director of Business Transformation	Additional Benefits
Page 248	Whether to waive any actuarial reduction on pre and/or post April 2014 benefits (where member has pre and post April 2014 membership).	TP3(1), TPSch 2, paras 2(1) and 2(2), B30(5) and B30A(5)*	Cambridge City Council will not agree - to waive on compassionate grounds any reduction on pre 1 April 2014 benefits for Group 3 or 4 members, on pre 1 April 2016 benefits for Group 1 members, or on pre 1 April 2020 benefits for Group 2 members, and / or - to waive in whole or in part on any grounds (including compassionate grounds) any reduction on post 31 March 2014 benefits for Group 3 or 4 members, on post 31 March 2016 benefits for Group 1 members, or on post 31 March 2020 benefits for Group 2 members where members choose to voluntarily draw their benefits on or after age 55 and before Normal Pension Age except in circumstances where Cambridge City Council considers it is in its financial or operational interests to do so or there are compelling compassionate reasons for doing so. Each case will be considered on the merits of the financial and / or operational business case put forward, or be considered on the merits of the compassionate case put forward, and	Retirement

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			<p>require the approval of the Director of Business Transformation.</p> <p>Group 1 members are members who were members of the LGPS before 1 October 2006 and <u>will</u> be 60 or more on 31 March 2016.</p> <p>Group 2 members are members who were members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 but <u>will</u> attain age 60 between 1 April 2016 and 31 March 2020.</p> <p>Group 3 members are members who were members of the LGPS before 1 October 2006 and will <u>not</u> be 60 or more on 31 March 2016 and will <u>not</u> attain age 60 between 1 April 2016 and 31 March 2020.</p> <p>Group 4 members are members who were <u>not</u> members of the LGPS before 1 October 2006.</p>	
Page 249	Whether to grant additional pension to an active member or within 6 months of ceasing to be an active member by reason of redundancy or business efficiency (by up to £6,500 p.a.)	R31*	Cambridge City Council will not make use of the discretion to grant extra annual pension of up to £6,500 to an active scheme member or within 6 months of leaving to a member whose employment is terminated on the grounds of redundancy or business efficiency.	Additional Benefits
17.	Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme.	TP12(6)	Cambridge City Council will use a certificate signed by an IRMP before 1 April 2014 where the ill health retirement occurs before 1 July 2014. In any other case a new certificate will be required.	Ill Health
18.	Determine whether person in receipt of Tier 3 ill health pension has started gainful employment	R37(3) & (4)	Cambridge City Council will make this determination in accordance with the available evidence, the requirements of the LGPS Regulations 2013 and any statutory guidance issued by the Secretary of State.	Ill Health
19.	Whether to recover any overpaid Tier 3 pension following commencement of gainful employment	R37(3)	Cambridge City Council will recover any overpaid Tier 3 pension following commencement of gainful employment.	Ill Health

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20.	Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	R38(3)	Cambridge City Council will make this determination in accordance with the available evidence, having given due regard to the opinion of the Independent Registered Medical Practitioner and any statutory guidance issued by the Secretary of State.	Ill Health
21.	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health	R38(6)	Cambridge City Council will make this determination in accordance with the available evidence, having given due regard to the opinion of the Independent Registered Medical Practitioner and any statutory guidance issued by the Secretary of State.	Ill Health
22.	Whether to apply to Secretary of State for a forfeiture certificate (where member is convicted of a relevant offence)	R91(1) & (8)	Where appropriate Cambridge City Council will apply for a certificate	Recovery & Forfeiture
23.	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited (other than rights to GMP – but see R95 below)	R91(4)	If a forfeiture certificate is issued by the Secretary of State it will be applied against the member's pension rights (i.e. the rights should be forfeited)	Recovery & Forfeiture
24.	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	R92(1) & (2)	In line with decisions under Regulations R91(1) and 91(4) there will be no need for the Council to decide whether or not to make interim payments	Recovery & Forfeiture
25.	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than benefits from transferred in pension rights or APCs or AVCs or, subject to R95 below, in respect of any GMP)	R93(2)	The Council will make the appropriate recovery and reduce the member's pensions rights accordingly where the member has not made good the debt	Recovery & Forfeiture

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	where the obligation was incurred as a result of a grave misconduct or a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment			
26.	Whether, if the member has committed treason or been imprisoned for at least 10 years for one or more offences under the Official Secrets Acts, forfeiture under R91 or recovery of a monetary obligation under R93 should deprive the member or the member's surviving spouse or civil partner of any GMP entitlement	R95	The Council will apply forfeiture to, or recover the monetary obligation from, the relevant benefits (including from the GMP entitlement), where a member has committed treason or been imprisoned for at least 10 years for one or more offences under the Official Secrets Acts.	Recovery & Forfeiture
27.	Agree to bulk transfer payment	R98(1)(b)	Cambridge City Council will determine each case on its merits.	Membership
28.	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	R100(68)	<p>Subject to the agreement of the relevant administering authority in any individual case, Cambridge City Council will extend the 12 months period:</p> <p>a) Where the member asked for transfer investigations to be commenced within 12 months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been offered to the member within 11 months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS will be extended to one month beyond the date of the letter issued by the appropriate administering authority providing the scheme member with a quotation of what the transfer value will purchase in the LGPS;</p> <p>b) Where the member is initially appointed on a fixed term contract for a period of a year or less and the contract is subsequently extended to a period of greater than one year. Such a member may request transfer investigations to be commenced within 3 months of the notification of the contract extension or within 12 months of joining the LGPS, whichever is the later and may make a formal option for the transfer to proceed within one month of the date of the letter issued by the appropriate administering authority providing the scheme member with a quotation of what the transfer value will purchase in the LGPS or within 12 months of</p>	Time Limits

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			<p>joining LGPS , whichever is the later.</p> <p>c) Where the Director of Business Transformation agrees that the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration; or</p> <p>d) Where the Director of Business Transformation agrees that the available evidence indicates the member had made an election within 12 months of joining the LGPS but the election was not received by the appropriate administering body (e.g. the election form was lost in the post)</p>	
29.	<p>Whether to allow a member to select final pay period for fees to be any 3 consecutive years ending 31st March in the 10 years prior to leaving <i>This discretion specifically relates to variable time employees where pay includes fee e.g. Returning Officer</i></p>	<p>TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B11(2)</p>	<p>CCC will allow members to select final pay period for fees to be any 3 consecutive years ending 31st March in the 10 years prior to leaving, subject to the approval of the nominated person as defined in the Council's constitution.</p>	Additional Benefits

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Discretions in relation to scheme members (excluding councillor members) who ceased active membership on or after 1.4.08. and before 1.4.14., being discretions under:

- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
30.	<p>Whether, for a member leaving on the grounds of redundancy or business efficiency on or before 31st March 2014, to augment membership (by up to 10 years). The resolution to do so would have to be made within 6 months of the date of leaving. Hence this</p>	<p>B12*</p>	<p>CCC does not augment membership of an active LGPS member in any circumstances.</p>	Additional Benefits

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	discretion is spent entirely after 30 th September 2014.			
31.	Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership	TSch1 & L66(8) & former L66(9)(f)	An extension of the time limit will only be granted where the member has not been notified of the potential additional service that may be purchased. Where this is the case CCC will extend the time limit to one month from the date of notification of the potential service credit.	Time Limits
32.	No right to return of contributions due to offence of a fraudulent character or grave misconduct unless employer directs a total or partial refund is to be made	A47(2)	Cambridge City Council will direct a refund of contributions less any debt owed to the Council by the member (see Reg A76 (2) and (3))	Recovery & Forfeiture
33.	Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund	A49(1) & (2)	The balance is recovered from the fund. In practice this is achieved by the administering authority paying the CEP out of the fund direct to the relevant government departments on behalf of the employer.	Membership
34.	Whether to apply to Secretary of State for a forfeiture certificate (where member is convicted of a relevant offence)	A72(1) & (6)	Where appropriate the Council will apply for a certificate	Recovery & Forfeiture
35.	Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited	A72(3)	If a forfeiture certificate is issued by the Secretary of State it will be applied against the member's pension rights (i.e. the rights should be forfeited)	Recovery & Forfeiture
36.	Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	A73(1) & (2)	In line with decisions under Regulations A72(1) and 72(3) there will be no need for the Council to decide whether or not to make interim payments.	Recovery & Forfeiture
37.	Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than transferred in pension rights or AVCs/SCAVCs) where	A74(2)	The Council will make the appropriate recovery and reduce the member's pension rights accordingly where the member has not made good the debt.	Recovery & Forfeiture

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	the obligation was incurred as a result of a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the person has left employment			
38.	Whether to recover from Fund any financial loss caused by fraudulent offence or grave misconduct of employee (who has left because of that), or amount of refund if less	A76(2) & (3)	The Council will make the appropriate recovery from the pension fund where the member has not made good the debt.	Recovery & Forfeiture
39.	Whether to allow a member to select final pay period for fees to be any 3 consecutive years ending 31 st March in the 10 years prior to leaving. <i>This discretion specifically relates to variable time employees where pay includes fee e.g. Returning Officer</i>	B11(2)	CCC will allow members to select final pay period for fees to be any 3 consecutive years ending 31 st March in the 10 years prior to leaving, subject to the approval of the nominated person as defined in the Council's constitution.	Additional Benefits
40.	Whether to grant application for early payment of deferred benefits on or after age 55 and before age 60	B30(2)*	Where a former scheme member who left the scheme between 1.4.08 and 31.3.14 requests early release of deferred benefits on or after age 55 and before age 60, approval will only be given on compassionate grounds. Each case will be considered on its merits and will be subject to the approval of the Director of Business Transformation. Subject to the discretion below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS regulations.	Retirement
41.	Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30	B30(5)*	Each case will be considered on its merits and will be subject to the approval of the Director of Business Transformation.	Retirement
42.	Whether to grant an application for early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60	B30A(3)*	Where a former scheme member who left the scheme between 1.4.08 and 31.3.14 requests early release of a suspended Tier 3 Ill Health pension on or after age 55 and before age 60, approval will only be given on compassionate grounds. Each case will be considered on its merits and will be subject to the	Ill Health

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			approval of the Director of Business Transformation. Subject to the discretion below, the benefits payable in such circumstances will be subject to any actuarial reduction applicable under the relevant LGPS regulations	
43.	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A	B30A(5)*	Each case will be considered on its merits and will be subject to the approval of the Director of Business Transformation.	Ill Health
44.	Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	B31(4)	Cambridge City Council will make this determination in accordance with the available evidence, having given due regard to the opinion of the Independent Registered Medical Practitioner and any statutory guidance issued by the Secretary of State.	Ill Health
45.	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment	B31(7)	Cambridge City Council will make this determination in accordance with the available evidence, having given due regard to the opinion of the Independent Registered Medical Practitioner and any statutory guidance issued by the Secretary of State.	Ill Health

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These are matters about which the regulations require there must be a written policy.

Discretions under the Local Government Pension Scheme Regulations 1997 (as amended) in relation to:

- a) active councillor members, and
- b) councillor members who ceased active membership on or after 1.4.98., and
- c) any other scheme members who ceased active membership on or after 1.4.98. and before 1.4.08.

	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
46.	Allow a councillor who has opted out more than once to re-join	C7(9)(a)	The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)	Membership
47.	Allow a late application by a councillor member to pay optional contributions for a period of absence	C18(6) & (7)	The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)	Membership
48.	Grant application from a post 31.3.98. / pre 1.4.08. leaver or from a councillor for early payment	C31(2)*	The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)	Retirement

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	of benefits on or after age 50/55 and before age 60 (see Note below)		In relation to any other post 31.3.98 / pre 1.4.08 leaver, CCC will consider each case on its own merits.	
49.	Waive, on compassionate grounds, the actuarial reduction applied to benefits paid early for a post 31.3.98. / pre 1.4.08. leaver or a councillor leaver	C31(5)*	The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62) In relation to any other post 31.3.98 / pre 1.4.08 leaver, CCC will consider each case on its own merits.	Retirement
50.	Councillor optants out and pre 1.4.08. employee optants out only to get benefits paid from NRD if employer agrees	C31(7A)*	The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62) In relation to any other pre 1/4/08 optant out CCC will not pay until the pre 1.4.08 employee ceases the job they opted out from.	Membership
51.	Whether to extend 12 month period for aggregation of deferred benefits (where deferred councillor member wishes to aggregate with current councillor membership in the same Fund)	C32(8A)	The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)	Time Limits
52.	Decide, in the absence from a post 31.3.98. / pre 1.4.08. leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	C34(1)(b)	Where a member has not made an election within 3 months the Council will apply whichever is deemed the more beneficial provision.	Retirement
53.	Consent to a member's former employer assigning to the new employer rights under any SCAVC life assurance policy (pre 1.4.08. non-councillor leavers)	C71(7)(a)	Cambridge City Council will not consent to a member's former employer assigning to the new employer rights under any SCAVC life assurance policy.	Additional Benefits

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54.	No right to return of contributions due to offence of a fraudulent character unless employer directs a total or partial refund is to be made (councillors and pre 1.4.08. leavers)	C88(2)	<p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p> <p>In relation to any other case Cambridge City Council will direct a refund of contributions less any debt owed to the Council by the member</p>	Recovery & Forfeiture
55.	Employer may deduct contributions from an councillor's pay or reserve forces pay	C89(1) & (2)	<p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p>	Membership
56.	Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund (councillor leavers and pre 1.4.08. leavers)	C92	<p>The balance is recovered from the fund. In practice this is achieved by the administering authority paying the CEP out of the fund direct to the relevant government departments on behalf of the employer</p> <p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p>	Membership
57.	Forfeiture of pension rights on issue of Secretary of State's certificate (councillors and pre 1.4.08. leavers)	C111(2) & (5)	<p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p> <p>In respect of any other case, if a forfeiture certificate is issued by the Secretary of State it will be applied against the members pension rights (i.e. the rights should be forfeited)</p>	Recovery & Forfeiture
58.	Where forfeiture certificate is issued, direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits (councillors and pre 1.4.08. leavers)	C112(1)	<p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p> <p>In respect of any other case, in line with decisions under Regulations C112(2) and (5), there will be no need for the Council to decide whether or not to make interim payments</p>	Recovery & Forfeiture
59.	Recovery from Fund of monetary obligation owed by former employee or, if less, the value of the member's benefits (other than transferred in pension rights) (councillors and pre 1.4.08. leavers)	C113(2)	<p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p> <p>In respect of any other case the Council will make the appropriate recovery and reduce the member's pensions rights accordingly where the member has not made good the debt</p>	Recovery & Forfeiture

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60.	Recovery from Fund of financial loss caused by employee, or amount of refund if less (councillors and pre 1.4.08. leavers)	C115(2) & (3)	<p>The Council should not agree to an entitlement to a pension for any (elected) member under its Allowances Scheme. (Meeting of the Council 4/12/03 Minute 03/62)</p> <p>In respect of any other case the Council will make the appropriate recovery from the pension fund where the member has not made good the debt.</p>	Recovery & Forfeiture
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*These are matters about which the regulations require there must be a written policy.

Note: benefits paid on or after age 50 and before age 55 are subject to an unauthorised payments charge and, where applicable, an unauthorised payments surcharge under the Finance Act 2006. Also, any part of the benefits which had accrued after 5 April 2006 would generate a scheme sanction charge

Discretions under the Local Government Pension Scheme Regulations 1995 (as amended) in relation to scheme members who ceased active membership before 1.4.98.

Page 258	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
61.	Grant application from a pre-1.4.98. leaver for early payment of deferred benefits on or after age 50 on compassionate grounds (see Note below)	D11(2)(c)	Each request will be considered on its merits and will be subject to the approval of the Director of Business Transformation.	Retirement
62.	Decide, in the absence from a pre-1.4.98. leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	D10	Where a member has not made an election within 3 months the Council will apply whichever is deemed the more beneficial provision.	Retirement

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended)

Under Regulation 7 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

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	<u>Discretion</u>	<u>Regulation</u>	<u>Cambridge City Council Discretion</u>	
63.	To base redundancy payments on an actual weeks pay where this exceeds the statutory weeks' pay limit.	E5	Redundancy payments will be based on actual weeks' pay.	Redundancy
64.	To award lump sum compensation of up to 104 weeks' pay in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment.	E6	CCC does not award any such compensation in cases of redundancy, termination of employment on business efficiency grounds, or cessation of a joint appointment.	Redundancy

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)

Under Regulation 26 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

65.	How to apportion any surviving spouse's or civil partner's annual compensatory added years payment where the deceased person is survived by more than one spouse or civil partner	ET21(4)	The Council will apportion any surviving spouse's or civil partner's annual compensatory added years where the deceased person is survived by more than one spouse or civil partner in such proportions as, at its sole discretion, it sees fit (based on the merits of the individual cases). Where no representation is received payments will normally be apportioned equally.	Added Years
66.	How it will decide to whom any children's annual compensatory added years payments are to be paid where children's pensions are not payable under the LGPS (because the employee had not joined the LGPS) and, in such a case, how the annual added years will be apportioned amongst the eligible children	ET25(2)	This discretion is not applicable because CCC did not award Compensatory Added Years to non LGPS members	Added Years

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67.	Whether, in respect of the spouse of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal pension suspension rules should be disapplied i.e. whether the spouse's or civil partner's annual compensatory added years payments should continue to be paid	ET21(7)	If the spouse or civil partner of a person who ceased employment before 1 April 1998 remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal annual compensation suspension rules will be disapplied i.e. the spouse's or civil partner's annual compensatory added years will continue to be paid	Added Years
68. Page 260	If, under the preceding decision, the authority's policy is to apply the normal suspension rules, whether the spouse's or civil partner's annual compensatory added years payment should be reinstated after the end of the remarriage, new civil partnership or cohabitation	ET21(5)	Due to the decision in discretion ET21(7) above this discretion is not applicable.	Added Years
69.	Whether, in respect of the spouse or civil partner of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries or cohabits or enters into a civil partnership on or after 1 April 1998 with another person who is also entitled to a spouse's or civil partners annual CAY payment, the normal rule requiring one of them to forego payment whilst the period of marriage, civil partnership or cohabitation lasts, should be disapplied i.e. whether the	ET21(7)	If the spouse or civil partner of a person who ceased employment before 1 April 1998 remarries or cohabits after 1 April 1998 with another person who is also entitled to a spouse's or civil partners annual CAY payment, the normal annual compensation suspension rules will be disapplied i.e. the spouse's or civil partner's annual compensatory added years will continue to be paid to both of them.	Added Years

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	spouses' or civil partners' annual CAY payments should continue to be paid to both of them			
70.	Whether and to what extent to reduce or suspend the member's annual compensatory added years payment during any period of re-employment in local government	ET17	<p>CCC will, during any period of re-employment in local government (see note below), abate a person's annual compensatory added years payment by the 'excess' if the aggregate of:</p> <ul style="list-style-type: none"> - the annual compensation (including any pension increases), and - the annual pension from the LGPS (including any pension increases), and - the annual rate of pay from the new employment <p>exceeds the pay the person would have received from the employment in respect of which the compensatory added years were granted, based on the annual rate of pay at the date of ceasing the former employment as increased by the relevant cost of living increases (i.e. as increased by the rate at which an "official pension" is increased under the Pensions (Increase) Act 1971).</p>	Added Years
Page 261	How to reduce the member's annual compensatory added years payment following the cessation of a period of re-employment in local government	ET19	<p>CCC will reduce a person's annual compensatory added years payment following the cessation of a period of re-employment in local government (see note below) to the extent necessary to secure that if:</p> <ul style="list-style-type: none"> - the period of compensatory added years granted in respect of the former employment, <p>plus</p> <ul style="list-style-type: none"> - the period of membership the person has accrued in the LGPS (or would have accrued had he / she joined the scheme) during the period of re-employment in local government, counted at its part-time length, if the person was part-time, <p>exceeds</p> <ul style="list-style-type: none"> - the period of membership the person would have accrued during the period from the cessation of the former employment until age 65 on the assumption that he / she had continued in that former employment to age 65 (again counted at 	Added Years

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its part-time length if the person was part-time at the date of cessation of the former employment),

then

- the annual pension and lump sum from the first job combined with the annual pension and automatic lump sum (if any) from the second job (based on the assumption that the employee joined the LGPS at the first opportunity), plus the annual compensation and lump sum compensation, shall not in aggregate exceed the pension and lump sum the person would have achieved if he / she had remained in the first job through to age 65.

Where there is an excess, the annual compensation must be reduced by the excess pension, and if the annual compensation is not reduced to nil, the amount of the remaining (reduced) basic annual compensation (excluding cost of living increases) must then be suspended until the excess lump sum (if any) is recovered.

In calculating whether or not, in aggregate, the annual pension and lump sum from the first job, plus the annual pension and lump sum (if any) from the second job (based on the assumption that the employee joined the LGPS at the first opportunity), plus the annual compensation and lump sum compensation, exceeds the pension and lump sum the person would have achieved if he / she had remained in the first job through to age 65 it will be necessary to compare:

a) the actual LGPS pre 1 April 2009 1/80th pension and 3/80ths lump sum, plus the actual LGPS post 31 March 2008 1/60th pension (ignoring any commutation for a lump sum), plus the actual 1/80th annual compensation and 3/80ths lump sum compensation, with

b) the 1/80th LGPS pension and 3/80ths lump sum the member would have achieved in their first job to 31 March 2008, plus the 1/60th LGPS pension the member would have achieved in their first job (ignoring any potential commutation for a lump sum), if the member had stayed in the first job through to age 65.

In determining the benefits the employee could have achieved had he / she

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remained in the first employment through to age 65 it will be necessary to determine the pensionable pay to be used in the calculation. For this purpose, the pensionable pay figure used in the calculation of the pension benefits in the first job will be used as brought up to date, at the date of cessation of the period or re-employment, by increasing it in line with the rate at which an "official pension" would have been increased under the Pensions (Increase) Act 1971.

If a person has been awarded more than one previous period of compensatory added years, e.g. as a result of being made redundant more than once, the abatement/clawback provisions are modified. In such a case, the rules under the former Local Government (Discretionary Payments) Regulations 1996 will be applied where a person ceases a period of re-employment in local government and has previously been granted more than one period of compensatory added years, but using the pay in the first job as increased in line with cost of living increases (i.e. ignoring regulations 18(5)(a)(ii), 18(6) and 18(7) of the Local Government (Discretionary Payments) Regulations 1996).

Where compensatory added years were awarded before 21 June 2000, Cambridge City Council will reduce a person's annual compensatory added years' payment following the cessation of a period of re-employment in local government (see note below) in accordance with the Local Government (Discretionary Payments) Regulations 1996.

Note: 'local government' means employment with an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body). Technically, an employee of an Admitted Body (i.e. a body that has applied to the administering authority to allow its employees to join the LGPS and has entered into a formal admission agreement) is only employed in 'local government' if he / she is a member of the LGPS.

Injury Allowances

Cambridge City Council will not make any awards under the Local Government (Discretionary Payments)(Injury Allowances) Regulations 2011 as

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CCC holds Employer's Liability Insurance

CCC has provision for NJC employees under the National Agreement on pay and conditions of service (Green Book)

GENERAL

Consultation

The discretionary policies contained in this Statement of Policy, and any awards under the Statement of Policy, are to be determined at the sole discretion of Cambridge City Council (CCC). When CCC intends to consider a change or changes to the Statement of Policy it will give notice to the recognised Trade Unions but is not required to consult with them.

A copy of CCC's Statement of Policy will be sent to the Pension Fund administering authority.

Formulating, reviewing and publishing a policy

Cambridge City Council is required to formulate and keep under review its policy on the exercise of discretions under the LGPS Regulations. Following any change in its policy Cambridge City Council must publish the revised policy and send a copy to the Pension Fund administering authority within one month of the date the policy is revised. In formulating and reviewing its policy, Cambridge City Council must have regard to the extent to which the exercise of its discretionary powers could lead to a serious loss of confidence in the public service.

Cambridge City Council is also required to formulate and keep under review its policy on the exercise of discretions under the Discretionary Compensation Regulations, In doing so, Cambridge City Council

- i) must have regard to the extent to which the exercise of its discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service; and
- ii) must be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs

Effective date of change

Any change to the discretions exercised under the LGPS Regulations can take immediate effect from the date CCC agrees the change. A copy of the revised policy must be sent to the Pension Fund administering authority within one month of the date of any change.

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Any change to the discretions exercised under the Discretionary Compensation Regulations cannot take effect until one month after the date CCC publishes a statement of its amended policy.

It should be noted that:

- This Statement of Policy will confer no contractual rights;
 - Subject to the section above (“effective date of change”) CCC retains the right to change the policy at any time without prior notice or consultation (although CCC will endeavour to discuss proposed changes with the recognised Trades Unions); and
 - Only the policy which is current at the time a relevant event occurs to an employee will be the one applied to that employee.

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CAMBRIDGE CITY COUNCIL

REPORT OF: Returning Officer/Electoral Registration Officer

TO: Civic Affairs Committee

25/6/2014

WARDS: None directly affected

ELECTIONS MAY 2014 (REVIEW) AND UPDATE ON INDIVIDUAL ELECTORAL REGISTRATION

1. INTRODUCTION

The purpose of this report is to review elections held on 22 May 2014 and update on the introduction of Individual Electoral Registration.

2. RECOMMENDATIONS

That the Committee notes the issues raised in the report, and to give feedback on any matters concerning the running of the elections which it wishes the Returning Officer to consider further in planning and running future elections.

3. ELECTIONS 2014

Project planning

- 3.1 2014 was a combined European Parliamentary and city council election year (there was an additional city council by-election held on the same day in Petersfield ward). The Regional Returning Officer (RRO) covering the East of England for the European Parliamentary elections was based in Chelmsford and issued some Directions which had to be followed such as the ballot paper template. Most of the decisions for arranging the European Parliamentary election were left to Local Returning Officers (LRO) who know what works best in their jurisdiction.
- 3.2 An Election Project Team, chaired by the Electoral Services Manager, and comprising officers from across the Council was tasked with leading on the known service requirements to run a

successful election. This year it met twice in the run up to the elections and dealt with operational issues. An Election Steering Group, chaired by the Local Returning Officer met at least monthly from January. Its role was to monitor progress against the project plan, statutory electoral timetables and consider any ad-hoc matters.

Party Agents and potential candidates briefing

- 3.3 On 20 February, the local party agents and potential candidates were briefed on the preparations required and the electoral timetable.

Communication

- 3.4 The Regional Returning Officer in Chelmsford led on the European Parliamentary elections. There were updates to the City Council website, with prominence given to electoral news on the homepage and links to Chelmsford's website. Press releases notifying the media of key deadlines and a media information pack were produced.

Correspondence

- 3.5 The Customer Service Centre received 824 telephone calls during the four weeks to polling day (compared to 569 over the same period in 2013). A further 701 were received directly into the Electoral Services office. The Electoral Services office received 654 election related e-mails this year, compared with 525 in 2013.

Training

- 3.6 The Returning Officer required every person working at a polling station to receive training – if they did not attend the training they would not be employed. Three training sessions for Presiding Officers and four sessions for poll clerks were held. Training information was provided by the Electoral Commission and adapted to local circumstances with reference to local case studies from previous elections as learning points.

Issue of postal votes

- 3.7 Postal vote packs were issued in-house and 100% were handed over to Royal Mail for delivery on Friday 9 May, two days after the application deadline. The total number of postal vote packs issued

was 11,825. The total number re-issued because of being spoilt, lost or not received was 13, compared to 4 in 2013.

Opening of postal votes

- 3.8 Postal votes were not opened daily as the volumes returned did not require it. 76.3% of postal votes were returned for inclusion in the count (68.7% in 2013). Signature and date of birth checking was carried out for 100% of returned postal votes and 2.3% were rejected due to either an invalid or missing signature/date of birth. (3.6% in 2013).

Polling stations

- 3.10 There were four different polling station locations from 2013. In King's Hedges, Arbury Community Centre was once again available for our use. In Market, one of the polling stations in Fisher Hall was relocated to St. Columba's Church Hall, as the space in Fisher Hall is no longer appropriate for two polling stations to operate effectively. In Newnham, Trinity Old Field Pavillion was used for the first time. In Romsey, because of the third polling district created at the 2013 polling district review, a portacabin was used as a temporary solution. It is expected that the 3C's Church (at Coldham's Lane roundabout) rebuilding programme will be completed for the 2015 elections.
- 3.11 Overall there were 47 stations, with 47 Presiding Officers and 122 poll clerks.

Inspectors

- 3.12 Four Polling Station Inspectors were responsible for checking all the polling stations at least twice during the course of the day. This was in addition to the Returning Officer visiting all polling stations.

The Count

- 3.13 Staffing was six counters per ward and as last year, the Small Hall was used to count five of the 14 wards, with a Deputy Returning Officer overseeing proceedings.
- 3.14 Unlike both 2013 and 2012, there were two elections to verify and one election to count overnight. For May 2015 and 2016, there will also be combined elections which will extend the time it takes to

complete the count considerably and further consideration will need to be given to the best arrangements for dealing with this.

Complaints

- 3.15 Four EU residents have complained that they could not vote in the European Parliamentary election despite voting in the local election (one of who was registered but believed they were not). One elector complained about the distance from his home to the polling station.

4. INDIVIDUAL ELECTORAL REGISTRATION (IER)

- 4.1 IER went live on 10 June and when a resident applies to register, they now need to provide their date of birth and national insurance number in addition to name, address and nationality. For those electors on the current Register, they will be written to individually in mid-July advising whether they have transferred successfully under IER transition or that we need further information from them. A nationwide publicity campaign by the Electoral Commission begins on 3 July. We will be providing a briefing on IER for members soon.

5. CONSULTATIONS

- 5.1 Local Party Agents have been asked for their feedback on the election and this will be reported to Committee at the meeting. All councillors have been sent a copy of this report and any feedback will be reported .

6 IMPLICATIONS

- (a) **Financial Implications** - none
- (b) **Staffing Implications** - none
- (c) **Equal Opportunities Implications** – there will be an equality impact assessment of any new proposed polling station prior to it being confirmed.
- (d) **Environmental Implications** - none
- (e) **Community Safety** - none

BACKGROUND PAPERS: There were no background papers.

The contact officer for queries on the report is Gary Cliff 01223 457011
gary.cliff@cambridge.gov.uk

Date originated: 12 June 2014

Date of last revision: 12 June 2014

CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Legal Services
TO: Civic Affairs Committee 25/6/2014
WARDS: None directly affected

EFFICIENT DECISION-MAKING AND SCHEME OF DELEGATION TO OFFICERS

1 INTRODUCTION

1.1 The Leader of the Council has asked Civic Affairs to consider a report regarding the need to make sure that the Council's scheme of delegation to officers allows for effective and timely decision-making at an appropriate level.

1.2 In particular, there is a need:

- To ensure that officers have adequate delegated powers to make operational decisions in respect of services for which they are responsible;
- To review consultation arrangements between officers and members to ensure that they are proportionate and do not unnecessarily inhibit prompt decision-making;
- To ensure that decisions are made when needed, and are not delayed unnecessarily by the committee cycle.

2. RECOMMENDATIONS

2.1 That the Head of Legal Services is asked to draft changes to the Council's constitution to allow Executive decisions to be made

between cycles where this is expedient in the interest of good decision-making, subject to appropriate safeguards.

- 2.2 That officers review delegations in respect of Finance, Human Resources and Property, and submit any proposed changes to the Executive Councillor for Finance and Resources.
- 2.3 That officers review practice and procedures for member consultation in relation to human resources decisions.
- 2.4 That officers undertake a wider review of delegated powers to ensure that decisions are being made at the appropriate level and report proposals for consideration by the appropriate executive councillor or committee.

3. **BACKGROUND**

- 3.1 The Leader of the Council has asked for specific consideration to be given to delegations relating to:

- Human Resources and staffing matters;
- Property transactions; and
- Finance.

He has also asked for consideration to be given to promoting greater flexibility for making decisions between committee cycles when expedient for ensuring effective and timely action.

3.2 **Human Resources and staffing matters**

The constitution contains extensive delegations in respect of HR and staffing matters. Directors have full delegated powers to manage the staff for the services for which they are responsible, subject to the Council's policies, procedures and financial targets, subject to consulting the Head of Human Resources where appropriate.

The Head of Human Resources has wide delegated powers to provide Human Resources services to the Council, including the formulation, approval and implementation of employment-related policies, corporate training and pay, terms and conditions,

The only areas explicitly requiring member involvement are:

- changes to the staffing structure which would result in job losses, involve changes to the first and second tier of management, have an effect on service delivery, have major implications for the operation of the department, or have implications for other departments.
- Appointment and dismissal of senior officers.
- Approval of the Council's Pay Policy Statement.

However, custom and practice, and some of the Council's internal policies, have meant in practice a much more extensive element of consultation with members. Officers will review practice and procedures with a view to recognising the responsibility of senior officers to run services and manage staffing (within the Council's budgetary and policy framework), limiting consultation to instances that are proportionate and add value.

3.3 Property Services

The Council's scheme of delegation in respect of the management of property owned by the Council is extensive and operational decisions do not routinely need member involvement, either in making decisions or through consultation. It is, however, less extensive in relation to acquisition and disposal of land and property.

Whilst the urgent decision route is available if decisions need to be made between committee cycles, the Head of Property Services will work with the Leader and Executive Councillor for Finance and Resources to determine whether further delegated powers are desirable.

A decision on further delegations would be made by the Executive Councillor for Finance and Resources after consideration by Strategy and Resources Scrutiny Committee.

3.4 Financial delegations

Whether some financial matters are decided at member level is determined by financial limits. Examples include authority to spend repairs and renewals budgets, approval of capital schemes and writing off debts. The financial limits have not been reviewed for many years and this will have led to a need for more decisions to be made at member level. The interim Head of Finance is reviewing the limits with a view to recommending increases for decision by the Executive Councillor for Finance and Resources after consideration by Strategy and Resources Scrutiny Committee.

3.5 Making decisions between committee cycles

The Council has four committee cycles annually. The dates of committee meetings do not necessarily coincide with the best time for making decisions. Giving primacy to the committee diary can lead to delay in projects and initiatives, and lead to missed opportunities.

The constitution allows for urgent decisions to be made without pre-scrutiny, but subject where possible to consultation with the Chair and spokespersons. Urgent decisions are also reported to the next meeting of the scrutiny committee.

The Committee is asked to request the Head of Legal Services to draft changes to the Council's constitution to allow decisions to be made between cycles where this is expedient in the interest of good decision-making. The consultation rules for urgent decisions would be applied, there would still be a need to comply with rules regarding publicity for decisions, and decisions would be reported to the next scrutiny committee meeting.

3.6 Future direction

This report looks at a limited range of delegations to officers. There is merit in a wider review to ensure that decisions are being made in the most effective manner, recognising the different roles and responsibilities of members and officers, and mindful also of the need for openness and transparency.

4. CONSULTATIONS

There has been discussion about the issues raised in this report with the Leader of the Council and between officers. The need for wider consultation will be considered as any proposals are developed.

5. IMPLICATIONS

This report does not have any implications for the areas set out below.

(a) Financial Implications

(b) Staffing Implications

- (c) **Equality and Poverty Implications**
- (d) **Environmental Implications**
- (e) **Procurement**
- (f) **Consultation and communication**
- (g) **Community Safety**

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

The Council's Constitution

To inspect this document please refer to the Council's website (<https://www.cambridge.gov.uk/constitution>) or contact Glenn Burgess on 01223 457169 or email glenn.burgess@cambridge.gov.uk

The author and contact officer for queries on the report is Simon Pugh, Head of Legal Services on 01223 457401 or simon.pugh@cambridge.gov.uk.

Report file:

Date originated: 16 June 2014
Date of last revision: 16 June 2014

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CAMBRIDGE CITY COUNCIL

REPORT OF: Head of Planning Services

TO: Civic Affairs Committee

25/6/2014

WARDS: All

TRANSFER OF PLANNING ITEMS FROM AREA TO CENTRAL PLANNING COMMITTEE

1 INTRODUCTION

- 1.1 At the request of the Leader of the Council, proposals are being prepared to move the current responsibility of area committees for determining planning applications and agreeing enforcement notice requests to the main Planning Committee. A full report setting out the proposals will be considered by the Environment Scrutiny Committee and the Executive Councillor for Planning Policy and Transport on 8 July. The Executive Councillor will be asked to make recommendations to the full Council meeting on 24 July, which will decide whether to make changes.
- 1.2 This is being drawn to the attention of members of the Civic Affairs Committee as it relates to constitutional arrangements. If members wish to make any comments at this stage, they will be put before the Environment Scrutiny Committee. Members may also ask to see the report when it is published and may also address the Scrutiny Committee meeting, subject to the consent of the Chair or the Committee.

2. RECOMMENDATIONS

- 2.1 That Members note any comments on the principle of this change they have at this stage and these will be reported to Environment Scrutiny Committee on 8th July.

3. BACKGROUND

- 3.1 Specific types of planning applications have been determined at Area Committee since 2003¹. In the last two years 173 planning applications were considered by the four Area Committees. This represents around 6% of the total planning applications determined by the council each year.
- 3.2 Proposals are being prepared to move the current responsibility of area committees for determining planning applications and dealing with planning matters such as enforcement notices to the main Planning Committee. A full report setting out the proposals will be considered by the Environment Scrutiny Committee and the Executive Councillor for Planning Policy and Transport on 8 July.
- 3.3 The agenda for Environment Scrutiny Committee has not been published yet. Members of Civic Affairs are asked to give any in principle comments they may have at this stage and these will be reported to the committee on 8th July.

4. **CONSULTATIONS**

- 4.1 This change raises constitutional issues so Civic Affairs Committee is asked for its views at this stage.

5. **OPTIONS**

- 5.1 Environment Scrutiny Committee will consider options.

6. **CONCLUSIONS**

- 6.1 Environment Scrutiny Committee will consider any comments made or representations received in person when it meets on 8 July. All comments received will form part of the recommendation to Council on 24 July.

7. **IMPLICATIONS**

(a) **Financial Implications**

These will be addressed at Environment Scrutiny Committee

(b) **Staffing Implications** (if not covered in Consultations Section)

These will be addressed at Environment Scrutiny Committee

¹ Limited to mainly minor applications defined by government as small planning applications of up to 9 dwellings or 1,000m² floor space and changes of use

(c) **Equalities and Poverty Implications**

These will be addressed at Environment Scrutiny Committee

(d) **Environmental Implications**

These will be addressed at Environment Scrutiny Committee

(e) **Procurement Implications**

These will be addressed at Environment Scrutiny Committee

(f) **Consultation and communication**

This will be addressed at Environment Scrutiny Committee

(g) **Community Safety Implications**

These will be addressed at Environment Scrutiny Committee

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

None for Civic Affairs meeting

To inspect these documents contact Patsy Dell on extension 7103

The author and contact officer for queries on the report is Patsy Dell on extension 7103

Report file: PD/F/: planningcommittee

Date originated: 16 June 2014

Date of last revision: 16 June 2014

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